

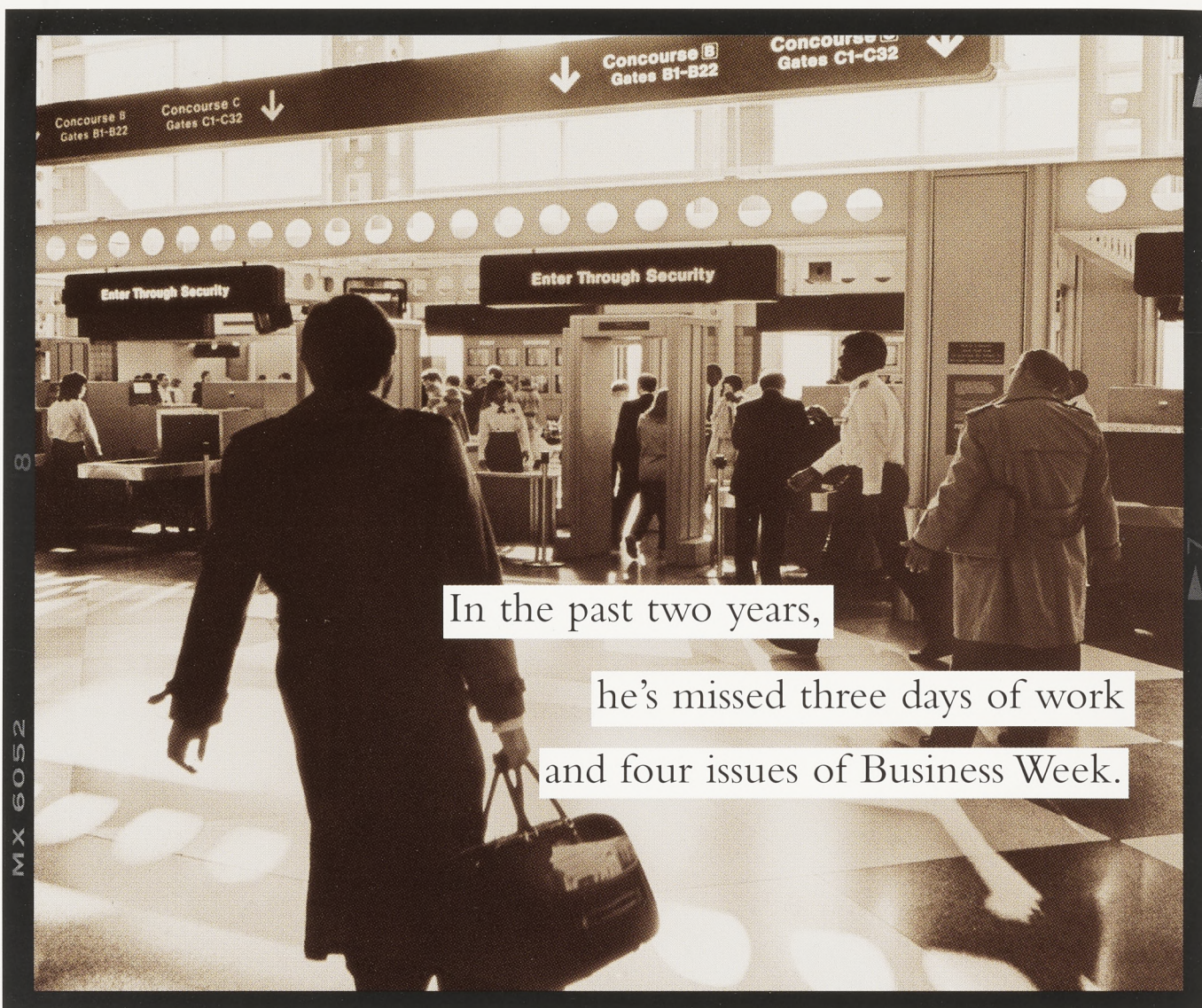
A close-up photograph of a man with dark hair, wearing a dark suit jacket over a light-colored shirt. He is holding a white ceramic bowl with a blue rim with both hands, and a pair of wooden chopsticks in his right hand. He is looking directly at the camera with a serious, intense expression. The background is a bright, clear blue sky.

Dateline

1996
SPECIAL
ISSUE

CHINA RISING

INSIDE: WINNERS OF THE OVERSEAS PRESS CLUB AWARDS



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Photo this page Chinese practicing tai chi in Shanghai

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The heart of what this
man stands for still beats
in our chest.

Our warm congratulations to Walter Cronkite on receiving
the Overseas Press Club's 1996 President's Award.

CBS NEWS

Letter from the President

We are pleased to dedicate the 1996 DATELINE to the fascinating subject of China. Once again, we offer our readers an insightful selection of articles by top journalists and experts, as well as compelling images shot by some of the world's best photographers. Our heartfelt thanks to participating news organizations and photo agencies, as well as to freelancers, for allowing it to happen.

That kind of cooperation in 1995 allowed DATELINE to become an award-winning publication for the first time. Entitled "The New World Disorder," the 1995 DATELINE won a merit award from the Society of Publication Designers for the work of designer Jay Petrow of *Business Week*. Petrow also designed this year's DATELINE. Production manager Richard Balestrino and photo editor Michael Hirsch, both of whom took part in the 1995 effort, dedicated themselves once again to this year's magazine. Copy chief this year was Doug Royalty, also of *Business Week*. I'd like to express my thanks to Editor-in-Chief Steve Shepard for allowing these top professionals to take part in this project and for the use of production facilities. Other important editorial support came from Larry Martz, editor of *World Press Review*, and BW's Asia Editor, Bruce Einhorn.

The success of DATELINE is just one sign of vi-

The OPC is making strong progress in a turbulent era for foreign correspondents



talities at the Overseas Press Club. Our Awards program continues to gain in stature and visibility thanks to the efforts of Awards Committee Chair Michael Serrill of *Time* and Vice-Chair Allan Dodds Frank of CNN. Our gratitude to all the judges and to the sponsors of the awards as well (page 45).

The activities of our Freedom of Press Committee continue to expand (page 72), and our reciprocal relations with clubs around the world have emerged as a key tool for linking the profession together (page 6). Board member Elinor Griest has led that particular crusade. The OPC Foundation, meanwhile, has increased the number of scholarships it awards, from four to six, for college students who aspire to go abroad and become foreign correspondents.

Sustaining the club's progress has been particularly important, and difficult, because the founding generation is passing from the scene. Past president and long-time pillar of the club Anita Diamant died in January, 1996, at about the same time we lost co-founder Irene Kuhn.

Irene was present at the meeting in 1939 at the Algonquin Hotel in New York, where correspondents returning from the European theater agreed to create the OPC. Our goal today is to honor and maintain many of their fine old traditions, while positioning the club—and the profession—for the future.

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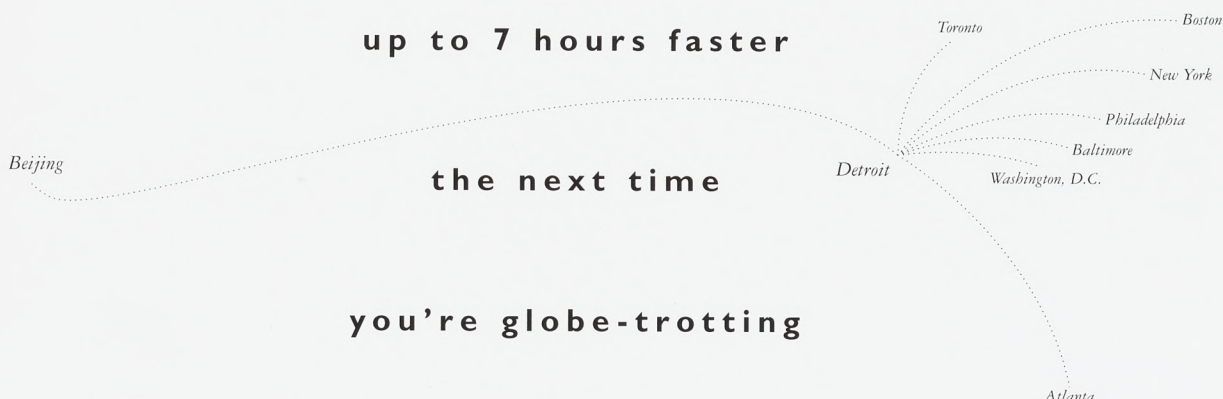
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My Evening With Zhou

In December, 1945, Harrison Salisbury, then foreign editor of United Press, asked me to go to China. President Truman was sending General George Marshall to China to broker a peace between the Communists and the Koumintang. Friends had the presence of mind to give me a bottle of Ballantine Scotch. I pledged not to drink it until I arrived in Chungking, the KMT capital where the negotiations were beginning.

To get there, I flew from Ohio to Hawaii in a B-17 Flying Fortress. I next caught a ride on a USO charter to Okinawa, then to Manila aboard a military transport. From there, we flew to Shanghai. Altogether, it was 10 days of hard travel.

As I arrived on New Year's Eve at the Broadway Mansion, I was pleased to learn that the correspondents had beaten out the U.S. Army and taken the penthouses. They were terribly elegant, with a view toward the Bund on the Huangpu River. Docked there was the U.S.S. St. Paul. I never dreamed I would one day win the cruiser in a poker game, but that's another story.

I flew to Chungking (today Chongqing) the next morning aboard a U.S. Embassy shuttle that lost one of its two engines on takeoff. It was a dreadful gray city, a hideous collection of bamboo shacks. To stay warm in the press hostel, we had *huopan*, or braziers that burned coal. One dipped buckets into a bathtub of water to flush the toilet. I invited correspondents such as Charlotte Ebner of International News Service and George Weller, the Pulitzer winner from the *Chicago Daily News*, to share my Scotch. They did so with alacrity. When that bottle was killed, I assumed another would appear. It didn't. It was the last Scotch I would see for two years.

Personal dramas aside, it was quickly evident what a wide gap existed between the style and personalities of the KMT and the Communists. Generalissimo Chiang Kai-shek, for example, invited U.S. officers and correspondents to his elegant home one night for a soiree. Madame Chiang put on a spectacular display of wealth, wearing more jade jewelry than even Tiffany's could boast. Everywhere you could see, there was jade. When one naive American asked how he could buy some for his wife, Madame sniffed: "One does not buy jade. One has jade."

Covering China had its hardships—and its perks. An all-night rap session with Zhou Enlai was one of the rewards



BRIMMING WITH CONFIDENCE: MAO AND ZHOU (RIGHT) REVIEW THEIR TROOPS IN 1944

The Communists, in contrast, lived in squalor. That was the first time I met Zhou Enlai. Watching him at the meetings of the Legislative Yuan, I recognized that no one would ever win an argument with him. He stood there repeating "Wo yao, wo yao" (I want, I want).

By the spring of 1946, the talks had shifted to Nanjing. I managed to take over an English Tudor mansion and call it the Nanjing Press Club. Naturally, as president, I took the big master bedroom with a balcony for myself, causing some resentment among other correspondents. But I took care of them, wrangling American military jeeps from the KMT and helping them get news. One of our key techniques was inviting General Marshall to dinner. My No. 1 boy, Ling, could put on a hell of a spread.

Inevitably, the talks broke down, and it was time for the Communists to go back to their

base in Yanan. Harold Milks of the AP and I went with them. Zhou liked to call 4 a.m. news conferences to catch *The New York Times* and the *Herald Tribune*. He was so smart he even knew about their deadlines. Mao Zedong was much more elusive. A mystic, we called him.

The Yanan caves were surprisingly warm and dry. We were stunned on our last night there when the goateed Zhou stopped by with two bottles of *mao tai*, the fiery sorghum-based whiskey. It was the only time we saw him let his hair down.

Despite later confusion about his linguistic abilities, he spoke absolutely flawless English as he told us about how it was his boyhood ambition to help China become a great nation. He waxed eloquent about falling in love with his future wife, an actress, during their stay in Paris after World War I. But he believed firmly in communism and distrusted the U.S. intensely.

More and more *mao tai* was consumed. Our session lasted literally all night. In Zhou, we recognized a burning commitment that far eclipsed anything we had seen on the Nationalist side. Instinctively, we knew who would win.

The hangover the next morning was awful. I sucked oxygen all the way back to Shanghai. Such were the rigors of covering the civil war.

By Walter Logan, who retired as foreign editor of United Press International



TIME

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Watching Manchuria Fall



Long-distance phone service from Shanghai was pretty primitive in 1948. With luck, patience, and shouting, you might get through to Nanjing. But calling any other city, particularly those under siege in China's civil war, was like trying to telephone Mars. The only way to find out where the fighting was going on was by hitching rides with the Civil Air Transport (CAT) planes operated by the former Flying Tigers commander, General Claire Chennault. Because so many cities were cut off by the war, they depended on daily airlifts of everything from hog bristles to artillery shells.

Flying from 150 to 200 hours a month, Chennault's World War II veterans would frequently switch on the automatic pilot, put their cowboy boots up on the dashboard, and catnap at the controls, which wasn't so reassuring if you happened to be occupying the jump seat behind them. Yet even semicomatose, they seemed to cope with the most unusual midair emergencies.

One pilot was jolted awake when an engine conked out at 11,000 feet. Jumping into action, he kept the plane aloft by jettisoning \$1.5 million worth of Chinese currency that he was transporting from the Central Bank of China. The money fluttered down into the unbelieving hands of peasants working in the fields below.

To cover the civil war, *Life* magazine teamed me up with Jack Birns, a burly, high-spirited photographer from California. Some mornings we would drop in at the CAT operations center (called the CAT house, naturally) at Longhua Airport in Shanghai. Then for three or four days, we'd hopscotch among remote airstrips all over China looking for action.

Occasionally, our aerial barnstorming paid off.

**RAIL RETREAT:
NATIONALIST
SOLDIERS FLEE
AS COMMUNIST
FORCES OVERRUN
MANCHURIA**

*The defeat
of Chiang
Kai-shek's
army at
Mukden was
a huge story—
and only
one reporter
had it*

By the last week of October, 1948, Generalissimo Chiang Kai-shek had personally deployed 700,000 of his best Nationalist troops to defend Mukden, or Shenyang as Manchuria's capital is called today. This city was the coal, iron, and arms manufacturing center that was the linchpin of his whole northern defense plan.

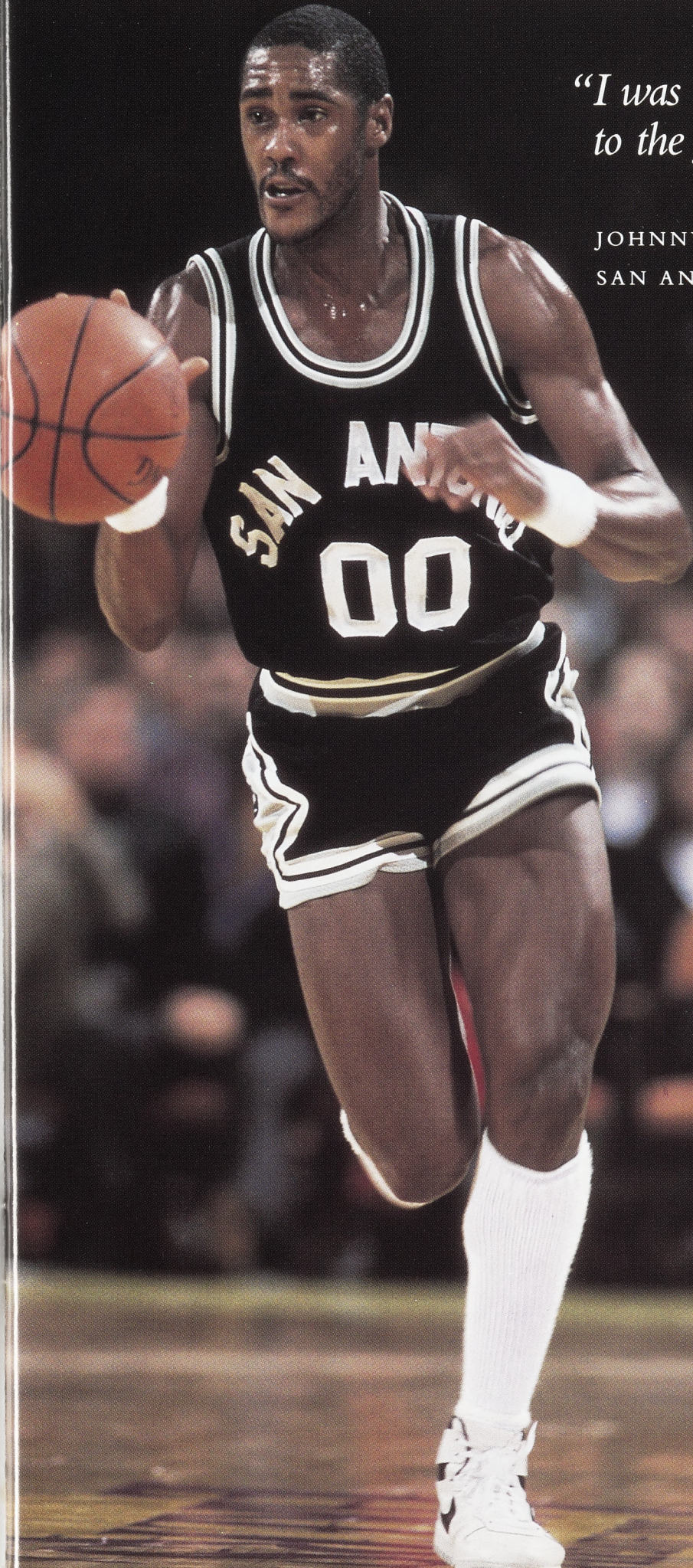
Landing in Mukden, we discovered the situation had suddenly become desperate. "This is a ghost city," I cabled *Life's* editors in New York. "No preparation has been made for a last-stand defense. China's richest industrial area looks as desolate as the ragged, half-frozen refugees picking their way through debris on the few streets where people can still be found."

No other reporters or photographers were there, a situation hard to imagine in today's media-saturated world. Birns and I figured we probably had no more than seven or eight hours to grab what pictures we could before the city fell.

We started up the road leading north from Mukden, only to encounter General Lin Biao's Communist troops coming down the other way. Surplus U.S. Army tanks and howitzers, abandoned by the Nationalists, littered the fields. A freight train chuffed by, packed with fleeing soldiers. Those who couldn't squeeze inside sat shivering on top in their padded yellow uniforms.

By the time we returned to Mukden, business and traffic had come to a halt. Most of the city's activities centered around the railway station and airports. An enormous crowd of would-be ticket buyers had wedged themselves between the train depot and the 100-foot-high Russian victory obelisk. Some of the people were selling their belongings to raise money for a ticket, though all of the departing trains appeared filled with soldiers.

At Mukden's military airport, Nationalist C-46s

A black and white photograph of basketball player Johnny Moore in action. He is wearing a San Antonio Spurs jersey with the number 00 and is dribbling a basketball. The background is a blurred crowd in a basketball arena.

"I was thinking, 'If I can just get to the game, I'll be all right.'"

JOHNNY MOORE
SAN ANTONIO, TEXAS

Johnny never made it to that game back in 1985. Instead, he landed in the hospital, where he was diagnosed with a serious fungal disease.

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and C-47s were evacuating one army company after another. At the civilian airport, CAT and the two other cargo carriers were running 100 shuttles a day to Tianjian, Qingdao, and Beijing. Thousands of men, women, and children swarmed over the frozen fields as C-46s droned in and out. For a lucky few, the slip of paper that entitled them to board one of the departing cargo planes had suddenly become their most precious possession.

At the U.S. consulate, we found everything moving in reverse. Instead of preparing to evacuate, Consul-General Angus Ward and his staff were busy barricading themselves in behind a year's supply of flour and canned goods. The State Dept. had ordered them to stay put to try to make contact with Mao's representatives. As we entered the consulate compound, Major John Singlaud, head of the External Survey Detachment (forerunner of the CIA), was chopping up a shortwave radio transmitter with an ax. The crewcut young major explained that he hadn't gone bonkers: He was simply following orders from Shanghai to prevent the consulate's intelligence equipment from being captured.

Ward, who had served in Vladivostok and had come to know the Russian Communists intimately, claimed to welcome the chance to stay behind in Mukden—"an unusual opportunity," he said, "to meet their Chinese counterparts." He certainly looked the part of an international go-between. Fluent in Russian and Chinese, this large, imposing man with a white goatee could have stepped right out of a Hollywood spy thriller.

Birns was still photographing Ward behind the mountain of canned goods collected in the consulate when word came that Lin Biao's forward units had reached Mukden's outskirts. "Get your asses out to the airport, or you'll be stuck with us," ordered the diplomat rather undiplomatically.

Racing back to the airport, we found CAT had already stopped flying the refugee shuttles. Fortunately, the airline had kept one plane on the field to evacuate its ground crew. We clambered aboard. Ward was about to discover that his hopes of making contact with Communist leaders would fail dismally. He was denounced as a spy, jailed for a month, and finally deported.

But we were free. En route to Qingdao, our pilot detoured over Yingkou so Birns could shoot aerials of the evacuation port we thought might become Manchuria's Dunkirk. Riding at anchor below was the cruiser Chongqing—née Aurora when it was a British Royal Navy ship—plus a flotilla of Nationalist destroyers and LSTs. But only



AT EASE: BIRNS (LEFT) AND THE AUTHOR IN THE U.S. CONSULATE IN MUKDEN

*More than
400,000
Nationalist
soldiers were
lost, and the
government
was trying
to keep it
a secret*

a few thousand of Chiang's soldiers ever reached Yingkou before it fell the next day, along with Mukden.

Twenty-four hours later, we were back in Shanghai. China's Central News Agency still hadn't announced the loss of Manchuria. None of our reporter friends at the Foreign Correspondents Club was aware that a chunk of China bigger than California, Oregon, and Washington combined had just been wrested from Chiang Kai-shek's control. More than 400,000 of his troops had died or been captured. Yet the Nationalist government was still trying to keep this Armageddon a secret.

The problem now was to get our pictures and exclusive eyewitness account into the issue of *Life* scheduled to be put to bed the next night in New York. The words, which went by cable, weren't a problem. But the dozen or so rolls of undeveloped film were: They had to be flown to San Francisco, which took 40 hours, minus the 13 hours of clock time gained by crossing the International Date Line. Today's satellite feeds make such logistical obstacles hard to imagine. But in 1948, clearing film packets through customs, sweating out weather delays and all the mechanical breakdowns that plagued those old prop planes provided a suspenseful climax to covering every overseas story.

Fortunately, our editors had ordered a portable photo lab set up at the San Francisco airport. Processed between planes, the undried negatives were couriered in jars of water to *Life*'s printing plant in Chicago. But Chicago was soaked in, and the plane landed in Cleveland. A charter pilot was persuaded to fly the courier to fog-bound Chicago. Holding the now-dry negatives against the window of a taxi, the managing editor, who had flown in from New York, selected five pages of pictures on the way to the printing plant.

People who picked up a copy of *Life* the next day had no idea of the extraordinary effort made to get that story into the pages of their magazine—and probably couldn't have cared less. But for us, knowing that millions of Americans were looking at those pictures and reading that article made us feel pretty good. The thought, too, that Chiang Kai-shek could no longer hide the truth that control of a vast industrial province had just slipped from his grasp made us feel that we were helping to set the record straight on China's civil war.

By Roy Rowan, a member of the OPC's Board of Governors and author of a new book, Powerful People, published by Carroll & Graf.

reuters delivers



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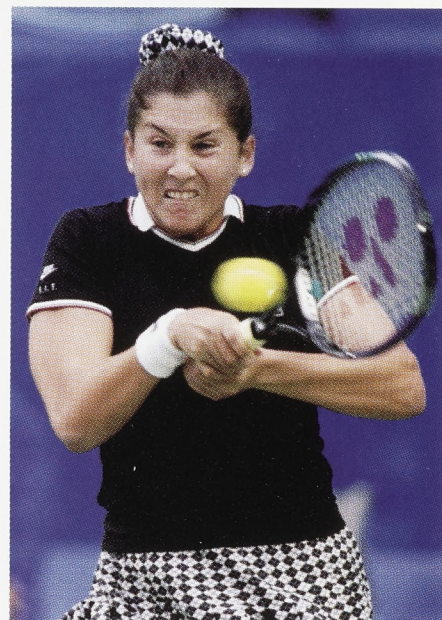


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BACKSTAGE AT A
SHANGHAI OPERA:
A MOMENT OF
TRUTH FOR CHINA
AND THE WORLD

CHINA

By William J. Holstein

As a young and impressionable correspondent, I found myself standing in a farming area, called Shumchun in Cantonese, immediately north of Hong Kong's border. Against an endless panorama of green rice fields, I saw peasant girls with their conical hats prod water buffalo down the dirt paths between paddies. It was 1979 and Deng Xiaoping had announced it would be here, in what the mainlanders called Shenzhen, that China's Four Modernizations would begin. Few Westerners could believe him. But I did. I saw the way foreigners attracted crowds of curious Chinese staring at their cameras, pens, watches, shoes, and clothes. The Middle Kingdom had decided it was time to get rich.

Reflecting back on that era, it was clear the major reason President Carter opened the door was to bring pressure against the Soviet Union, playing the China card à la Kissinger. That proved spectacularly successful. But there were other assumptions, other baggage. One was that U.S. companies would make a huge amount of money in China's vast market, benefiting all of America. Second, most China-watchers thought engagement would create movement toward a more pluralistic system, in which alternatives to the Communist Party would evolve. Finally, most thought that as China became richer, it would be less inclined to project military force in the region. Without really saying it, we thought China would play by American rules.

After more than 15 years, we are
in a critical testing period
for those assump-

Which Way Forward?

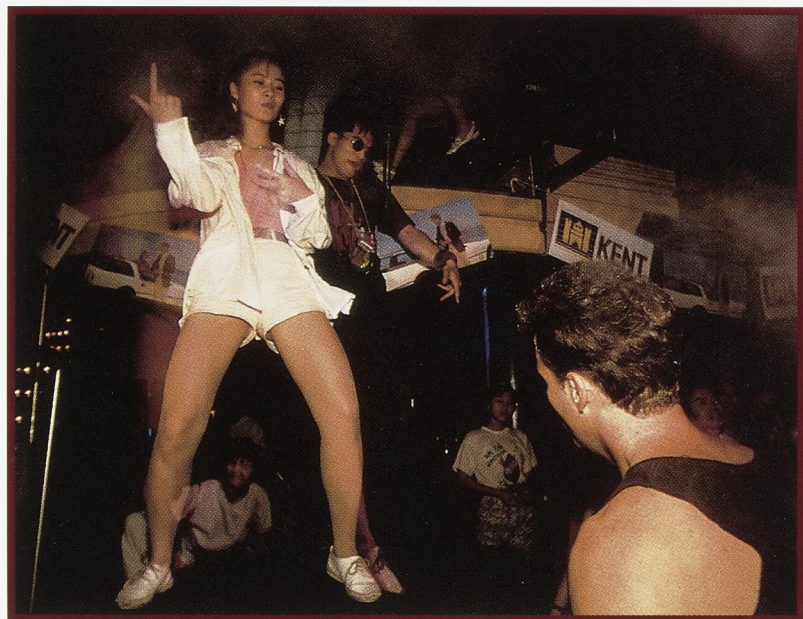
tions. China's economy has surged with stunning speed. A six-lane superhighway now runs north from Hong Kong's border, ripping through those rice fields and quiet villages. Thanks to giant power lines snaking through the countryside, factories are springing up, and peasants are moving into towering apartment blocks. It is the fastest economic and social upheaval anywhere on earth. The population has grown from 1 billion to 1.25 billion—an addition equal to the America's entire population—creating the need for even more growth.

Rather than being in surplus, the U.S. is suffering a soaring trade deficit with China. Companies from Hong Kong and Taiwan, but also the U.S. and Japan, are transferring technology and production in a truly historic shift of industrial activity. Suddenly, China is making a play for higher-tech areas Americans once thought were impregnable: aerospace, semiconductors, and autos. China's market, meanwhile, is difficult and, in some cases, downright rigged.

Old assumptions about pluralism are also coming up short. There's no question that the Chinese have made huge strides in economic and lifestyle freedom. But the Party hasn't tolerated the slightest whiff of organized political opposition. There is still a monopoly of power. And Hong Kong is beginning to feel that cold breeze as China prepares to resume sovereignty in 1997.

Of course, the biggest shock has been the People's Liberation Army's willingness to use raw military force to intimidate Taiwan. Incredibly, a large U.S. naval force was deployed to deter the Chinese military, hardly a sign of mutual trust and confidence.

What is the way forward? Was the original vision simply naive, or is it time to rededicate ourselves to the proposition that engagement with China is the only course? What sort of engagement should it be? The outcome of this critical debate will shape China's relations with the U.S. and the world.

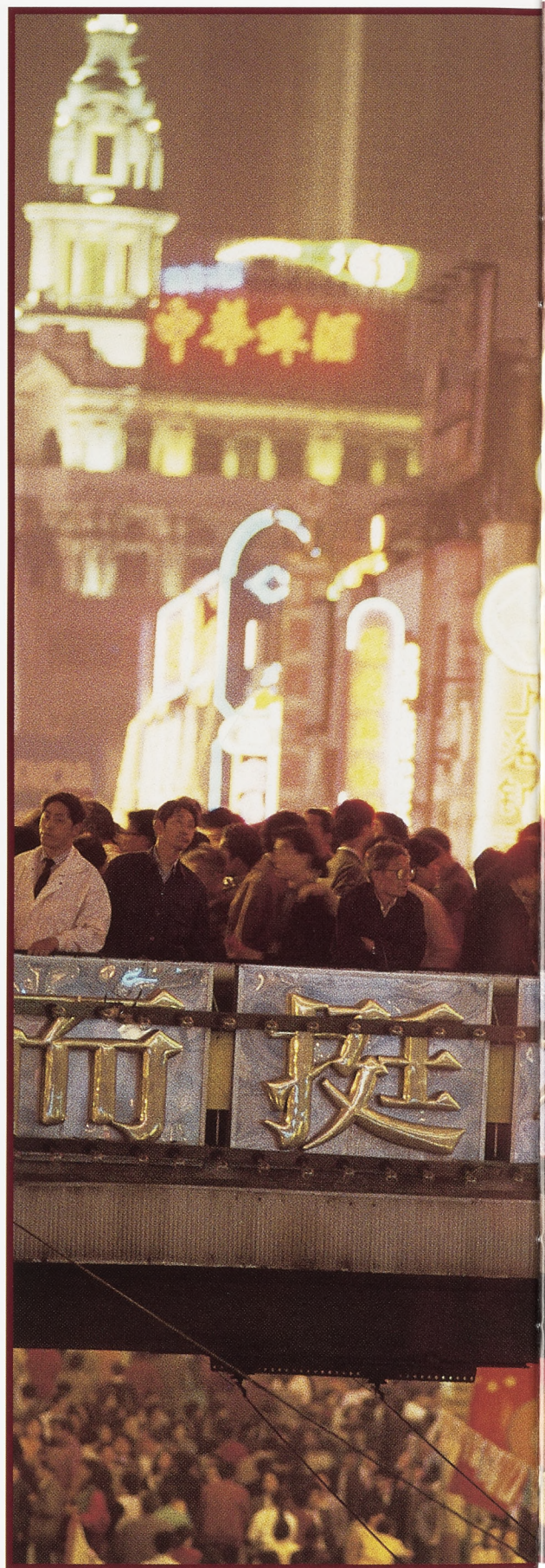


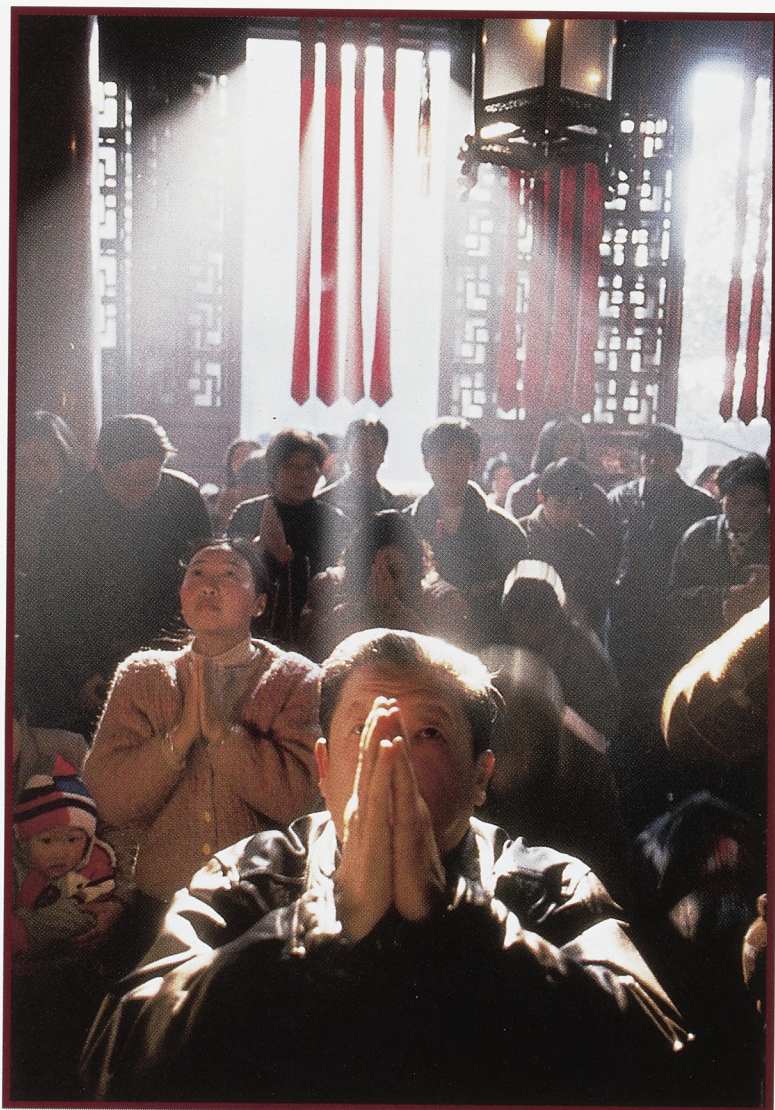
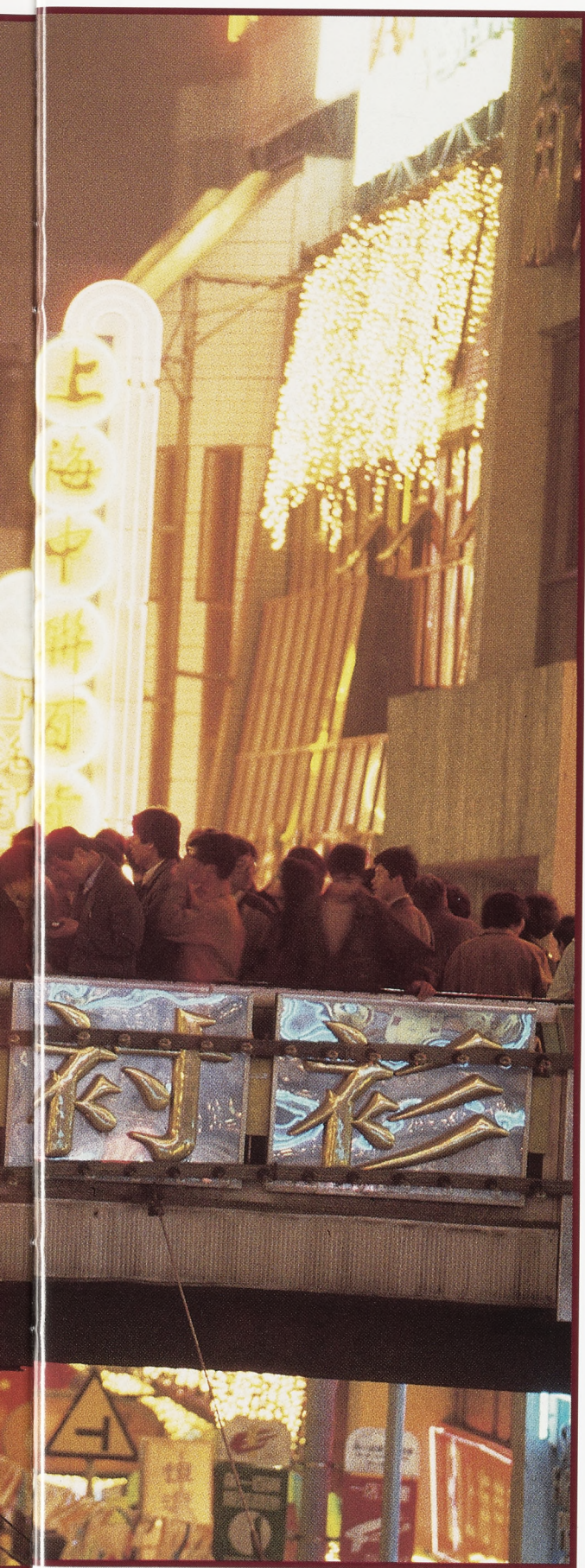
Brave New World

Communism remains, but Maoist conformity is dead. China's industrial miracle—made possible by millions of low-paid laborers—has allowed the newly affluent to pursue lifestyles, entertainment, and religion in once-forbidden ways.

ALL THAT GLITTERS:
URBAN ELITES CAN
AFFORD LAVISH
WEDDINGS (TOP),
WHILE A YOUNGER
GENERATION HAS
EMBRACED THE
NIGHTLIFE (ABOVE)

GETTING AND
SPENDING: CROWDS
THROUGH SHANGHAI'S
NANJING ROAD
AFTER DARK

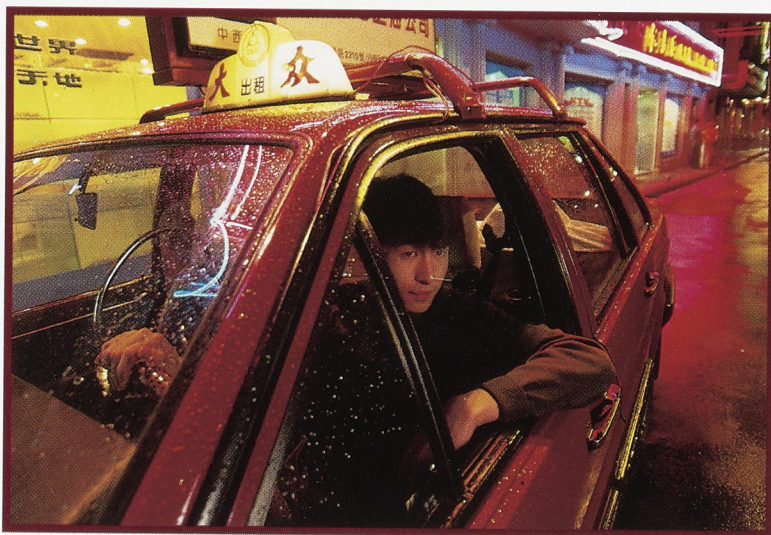




BEACON OF HOPE:
EVEN THE PRACTICE
OF CHRISTIANITY
IS SPREADING

ENTERPRISING
SPIRIT: A PRIVATE
TAXI DRIVER IN
SHANGHAI (BELOW);

THE INDUSTRIAL
MIGHT OF WUHAN'S
VAST STEELWORKS
(OVERLEAF)





PHOTOGRAPH BY TOM STODART/KATZ/SABA





DISLOCATION:
MIGRANT WORKERS
SCRAMBLE FOR
CONSTRUCTION JOBS
IN CHINA'S CITIES



ENVIRONMENTAL
COSTS: POLLUTION
IS THE PRICE
OF A HEADLONG
RUSH FOR GROWTH

TALL ORDER:
OFFICE BUILDINGS
(ABOVE) AND THE
LANDMARK TV
TOWER (BELOW)

ARE PART OF THE
GOVERNMENT'S
\$50 BILLION PLAN
FOR SHANGHAI'S
PUDONG DISTRICT



CONSTRUCTION IN
SHENZHEN (ABOVE):
FARMLAND IS BEING
GOBBLED UP FOR
DEVELOPMENT



A Most Dangerous Game

By William H. Overholt

Nineteen ninety-five was probably the best year China has had in two centuries in terms of growth and stability. And while 1996 is bringing more of the same, there is an emerging threat that a new cold war will engulf China's domestic successes.

China is in a conservative mood, fighting inflation, leveling special privileges, battling corruption, and seeking a smooth transition from the era of Deng Xiaoping. Credit is being squeezed, prices controlled. The stock market is down despite some recent signs of life, and the futures markets are under fire for speculation and scandal. A new Five Year Plan projects annual growth at 8% to 9%, substantially below the 10% of the reform era so far.

The leadership in Beijing is dominated by Jiang Zemin, a colorless figure whose unparalleled accumulation of titles—President, head of the Party, chief of the military, and chair of important committees dealing with the economy and Taiwan—does not betoken strength when contrasted with the power formerly wielded by Deng, whose sole title at the height of his authority was chairman of the Chinese

Bridge Players Assn. Prime Minister Li Peng has been rendered a lame duck by his association with the Tiananmen Square massacre and the expectation that he will have to retire in 1997.

Yet the country's economic performance, which was the main focus for both leaders and led, was and is spectacular. Growth remains around 10%, while inflation declined sharply from 22% to 15% or less by early 1996. The great currency reform of 1994, which compressed three currencies into one, has been consolidated and the renminbi has actually strengthened—a difficult accomplishment when inflation is high. The economy has achieved a trade surplus and in 1995 received nearly \$38 billion of foreign direct investment—about what Brazil

**A CHINESE
STEELWORKER:
THE ECONOMY IS
STILL WHITE-HOT**



has acquired since World War II ended. Its foreign exchange reserves rose to more than \$73 billion—one of the world's five highest. Major banking, tax, and legal reforms continue to progress.

Because of that economic performance, there is broad agreement among China's leaders on the way forward. As in the earlier Asian economic miracles—South Korea, Taiwan, Singapore, and Thailand—economic success has brought consensus in the most important areas of previous controversy.

Among these are: Managers and workers should be motivated by material incentives; all companies should eventually be forced to earn a profit or die; society should gradually be opened; a market economy is the only viable course; the role of law must be greatly expanded; Party control of economic institutions must be reduced; the effort to control most intimate details of individuals' lives must be abandoned; firm one-party rule must continue, but the answers to most policy questions are to be found in practice rather than in Marxist-Leninist-Maoist texts. This means that individual leaders may come and go, and great struggles for power may occur, without affecting the fundamental direction of policy. China's basic path is set regardless of which leader or leaders succeed Deng.

The mood of the broader population mirrors that of the leadership. Domestic politics are boring—no big power struggles, no unsettling riots. China's people are mostly focused on making money. Jiang Zemin continues to extend patronage appointments in the hope that this will consolidate his rule, and he continues to make pleasant noises toward the military, where his support is weakest.

Repression continues, symbolized above all by the re-arrest of Wei Jingsheng and by the regime's insistence on naming the successor to one of Tibet's most important lamas. Few among the educated, especially the younger ones, support such repression. But their attention is focused on the long-term trend of their own freedoms: In sharp contrast with the past, people can wear what they want, mostly go where they want to go, and, after some hassle, change jobs.

They also can mostly say what they want to say, short of organized denunci-

ations of the leadership—one of the greatest gains in freedom of speech in all of history. They have greater access to foreign newspapers and television shows that are critical of their leaders than do people in Indonesia, Singapore, or Malaysia. At the municipal level, voters now choose more than 4 million officials through elections. The open practice of Buddhism, Confucianism, and especially Christianity is probably spreading as fast in China as any of these belief systems has spread anywhere in the 20th century. A repressive dictatorship that abuses human rights?



In China today, most people are focused on making money

Absolutely. Getting a lot better and taking care of its people? Absolutely.

Alexis de Tocqueville instructed us that the most dangerous time for a bad government is when conditions start improving. That's what Tiananmen Square was all about. The brutal, bloody crushing of the demonstration in the spring of 1989 repressed those democratic stirrings—not forever, but definitely for a good while. So long as the regime remains internally cohesive and delivers visible progress to ordinary people, it is entrenched. Every successful Asian regime has had its moment of truth when it had to either fall or assert its authority—Taiwan in 1947, Korea in 1980, Thailand in 1976. These regimes evolved rather than imploded so long as they de-

livered steadily improving material conditions. They bent gradually—not suddenly—to the rising political demands of a more educated, more prosperous, more open society.

In South Korea and Taiwan, the outcome was regimes totally different from the original repressive systems. The original leaders—Park Chung-Hee in South Korea, Chiang Kai-shek in Taiwan—failed to appreciate the amount of political change necessary for successful evolution. The same can be said for China today. The West invariably has failed to comprehend these Asian miracle takeoffs and has failed to grasp that change is measured in decades, not years.

Despite long-term positive prospects, the greatest risk today is that both China and the West are misjudging each other and overreacting to events. Jiang tried early in 1995 to improve relations with the U.S. via an invitation to President Clinton to visit Beijing and several requests that Jiang be invited to Washington. But the congressional vote to invite Taiwan President Lee Teng-hui to Cornell University reversed two decades of American diplomacy that had encouraged peaceful development of Taipei-Beijing relations.

It was followed by a special Senate reception for Madame Chiang Kai-shek, preceded by an upgrading of U.S.-Taiwan executive-branch relationships and accompanied by a proposal from North Carolina Senator Jesse Helms to treat Tibet as an independent country by dispatching a U.S. ambassador to Lhasa. As the shouting progressed, House Speaker Newt Gingrich, at the time appearing more important than the President, briefly advocated an independent Taiwan. Meanwhile, there was much talk in the U.S. of the necessity to contain China; coincidentally, this talk peaked about the time Washington restored substantial relations with Vietnam. The Chinese felt betrayed and perceived their sovereignty as besieged.

These developments reinforced earlier ones. The congressional campaign against most-favored-nation trading status for China had convinced much of China's educated elite, previously sympathetic to Washington's human-rights policies, that the U.S. was insincere about human rights and was seeking only to "contain" China. Virtually everyone in China sees decent living standards as one aspect of human rights and there-

Covering a rising star isn't always that easy.

Newsweek salutes the OPC on this year's theme,
"China: The New Superpower."

**It's time for
Newsweek**



fore sees a campaign to hurt economic development as abusive of human rights. And the congressional campaign against Beijing's bid for the Olympics triggered deep popular antagonism. Washington has consistently underestimated popular pride in China's economic growth and national rejuvenation.

All these things triggered a Chinese reassessment of U.S. policy. Beijing thought: Maybe Washington is deeply hostile to China's development, and maybe Washington will do anything to stop China's rejuvenation. Maybe Clinton's engagement policy is just a facade for the real policy, the policy of Congress and the leading newspapers, to dismember and humiliate China by threatening its growth, taking away Tibet and Taiwan, and turning Hong Kong into a hostile base.

In short, the Chinese came to believe that normal diplomacy had failed. In their pursuit of peaceful unification, they had not built any military capability to invade Taiwan, so they resorted to symbolic moves: flinging missiles into the waters around Taiwan and holding exercises on their side of the Taiwan Strait. This was reminiscent of Jimmy Carter steaming aircraft carriers up and down the Persian Gulf trying to spook Iran. But there was a difference: Carter had real military clout, but nobody took him seriously. China had little ability to project real military clout but proved very effective at spooking.

For the ensuing crisis, many Asian countries blamed Taiwan's Lee for causing unnecessary trouble to bolster his election campaign and blamed Washington for being inconsistent. But the U.S. press and Congress perceived an aggressive China. *The New York Times* featured a story about how China was planning an invasion of Taiwan, and the *Washington Post* published a strong editorial advocating that the U.S. defend Taiwan against a Chinese invasion—although senior American military leaders agreed that China had no intention of invading Taiwan. A widely circulated story said that the transit of the U.S. aircraft carrier Nimitz through the Taiwan Strait was the first such transit in many years and was designed to deter a Chinese invasion. This was retracted only after top American military officials produced logs

proving that dozens of such transits had occurred and that they were standard practice because they save 145 miles of steaming.

It became axiomatic in the U.S. press that China was engaged in a great military buildup that demonstrated potentially aggressive intentions. The opposite was true. China spends a lower percentage of its output on the military than does the U.S. and is unique among major Asian countries in its lack of modern tanks, modern fighters, and blue-water naval capability. U.S. paranoia on this point precisely mirrored Chinese paranoia about the outside world. The U.S. press was filled with stories about military leaders

Chinese missile tests and military exercises, China exhausted earlier Asian sympathy for its position and provided appreciation for Washington's dispatch of aircraft carriers to Taiwan's vicinity. Beijing's excesses could also permanently alter attitudes in the U.S., Taiwan, Japan, and Europe in ways that defeat China's longer-term goals.

That possibility only reinforces the Chinese perception that hostile elements in the U.S. will not stop short of dismembering China and unseating its regime. Beijing's hotheads are convinced that Clinton and Congress are just playing good cop, bad cop in a mutual effort to humiliate China. In the U.S., an anti-Chinese coalition comprising the left and right in Congress and the country's most prestigious newspapers was pushing an agenda of further arming Taiwan, imposing sanctions on China, sending an ambassador to Tibet, or otherwise confronting China. This ideological coalition threatened once again to overwhelm a managerially oriented coalition composed of the White House, the center of the Congress, the military, and business.

All this carries the potential for tragedy because China is on the way to becoming the rich and powerful country that Chinese regimes for the past two centuries have sought unsuccessfully to build. Ultimate success or failure now lies largely in Chinese hands; no foreign regime has the power to stop them. Following the other Asian successes, their path is

now relatively clear, and their consensus on the way forward is auspicious. To the extent they stay on this path, 1996 will bring further cautious steps toward controlling inflation and limiting the drain caused by the state enterprises. By 1997, the cycle will be ready for new economic initiatives, and the Party Congress will provide an opportunity for less conservative leaders to assert themselves. But the Chinese can still fail if they play into the hands of ideologues in the U.S. Congress and allow themselves to be diverted into geopolitical games. The world may stand on the edge of the most unnecessary cold war in memory.

Overholt, managing director of Bankers Trust Co. in Hong Kong, is author of *The Rise of China*



**China's military buildup
has been overstated
by a paranoid U.S. press**

asserting themselves against the civilian leadership. The generals were much more visible, but they were articulating views widely shared by civilian leaders.

For any historian of Chinese-American relations, the mystery is why the outside world failed to appreciate the positive aspects of China's course. Whereas any East European leadership that recorded one or two of China's achievements in 1994-95 would have been hailed for its genius, most of China's accomplishments attracted no attention in the Western press. As far as the average American could tell, China did little in this period except oppress its people and plan an invasion of Taiwan.

Because of these misperceptions and because of the overkill of subsequent



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Can CHINA Spread the WEALTH?

By Craig S. Smith and Marcus W. Brauchli

The casualties of China's economic revolution are rising. Take Fang, a thin, 39-year-old factory worker. Caught in a financial squeeze, the state-owned medicine plant that employed Fang in Fujian Province stopped paying him early this year. The factory's once-popular remedies had lost market share to new pharmaceutical imports—just as China's government, trying to slash deficits, withdrew subsidies.

So, at dusk one evening, Fang loiters on a street in the coastal town of Mawei in Fujian, a beeper clipped to his black vinyl belt. He is waiting for a call from a man who promised—for \$3,500 up front, \$17,000 on arrival—passage to what Fang hopes will be a brighter future as an illegal alien in America. "There is no money in China, no future," Fang says, explaining that he'll borrow the money from family and friends to go.

His bleak assessment hardly seems to jibe with China's booming growth. In the decade and a half since China began its historic turn toward market economics, growth in this nominally communist land has averaged an amazing 10% a year.

Economists and political leaders agree that China's economy must race ahead to avoid disaster

Yet more and more Chinese feel they are not sharing in those gains. Determined to avoid a ruinous bout of inflation, Beijing's policymakers have been tightening up for nearly three years. Once-frothy real estate and securities markets are sluggish. Banks are swamped with nonperforming loans. Unable to obtain fresh capital, many companies, especially state-run behemoths such as Fang's employer, are in suspended animation. Tens of millions of workers have been idled, if not officially laid off.

Unstated, but plainly evident, is a rising consensus among economists and political leaders that China's economy must

race ahead to avoid disaster. "It seems China's economic growth cannot be lower than 10% to keep pace with the demands of society," says Chen Jiagui, a senior research fellow at Beijing's Academy of Social Sciences. Another Beijing economist warns of "political and economic collapse" if growth falls below 7%.

This is the backdrop to China's more visible dramas—over trade with the U.S. and politics with Taiwan. Bellicosity aside, China can ill afford the loss of foreign investment that a trade war or shooting war might bring. "Foreign capital is





the fuel driving China's economic reform machine," argues David Roche, global strategist for London-based Independent Strategy Ltd. Without that money, the country's economy would slow, crushing the already fragile state sector and risking rebellion among millions of workers. Recalling the shipyard strikes that led to the fall of communism in Poland, a Shanghai economist adds: "A Chinese Gdansk is what Beijing fears most."

Another reason China must continue racing ahead is that its growth so far has occurred mostly in urban and coastal ar-

reas, where many people are relatively prosperous. But it is diluted inland, where 900 million of China's 1.2 billion people live in relative backwardness. There, huge state companies and farms employ three-quarters of the country's workers. When these people's soaring expectations aren't met at home, millions go in search of them, in China's cities and, like Fang, abroad. That, according to Shanghai Academy of Social Sciences economist Zhang Daogen, is why slower growth "could lead to social problems, even rebellion."

HAINAN ISLAND: MIGRANTS ARE FINDING FEWER JOBS IN THIS BOOMTOWN

Of course, the Chinese have endured harsher tribulations than the current credit squeeze, and as long as the economy offers any hope of improving their lives, few are likely to act on their frustrations. But the last time Beijing stepped on the brakes hard was 1989, and the resulting pain contributed to the unrest that culminated in the bloody suppression of the Tiananmen



NO SAFETY NET: CHINA'S CITIES ARE JAMMED WITH DESPERATE ITINERANTS

east—a sooty rust belt of steel mills and smelters—to assuage factory managers and gauge the mood of idled workers.

Even China's boomtowns are a bit depressed. In Haikou, the capital of Hainan Island in China's energetic south, Hu Bin, a real estate executive, steers his Mazda sedan down a wide, empty avenue between gleaming, empty buildings. Unfinished construction sites crowd the city, as they do along most of the southern coast. Hu stops at one massive brick-and-concrete skeleton where two watchmen squat on a tangle of collapsed bamboo scaffolding. "It will take years for this market to recover," he sighs.

However helpful the central government's austerity has been in squeezing the speculative frenzy out of China's

economy, it creates unemployment, and that's dangerous. It is especially pernicious in this would-be workers' paradise because there isn't any real social safety net for the jobless. The government says 530,000 enterprises employing 79 million workers now provide some kind of unemployment insurance. But the benefits are scant, sometimes only a fraction of the skimpy \$60-a-month salaries most urban workers get at state factories. (Housing is usually provided with a job.)

Instead of outright layoffs, many state companies choose indefinite furloughs with subsistence pay—what the Chinese call *xia gang*, or stepping down from one's post. But the money is barely enough for workers to feed themselves, let alone buy anything else.

Take the family of a Shanghai taxi driver named Guo. Last year, his wife was recently furloughed from her factory job and draws only \$25 a month in benefits.

"School fees and food for my child alone comes to more than that," he complains, peering through eyeglasses held together with tape. Now he works 14-hour days just to feed his family.

Some furloughed workers are even being hit with new bills. At Shanghai's Wuzhou Garment Factory, which employed Mrs. Guo, money is so tight that the factory no longer covers all of its workers' medical bills. "Before, we paid everything, but now, if a worker goes to the hospital and has a 5,000 yuan [\$602]



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bill, we'll only pay 2,000, and the worker has to come up with the rest," says the factory's manager, Wang Yaoming. Workers should be reimbursed eventually by the state, he adds, but such payments now take months.

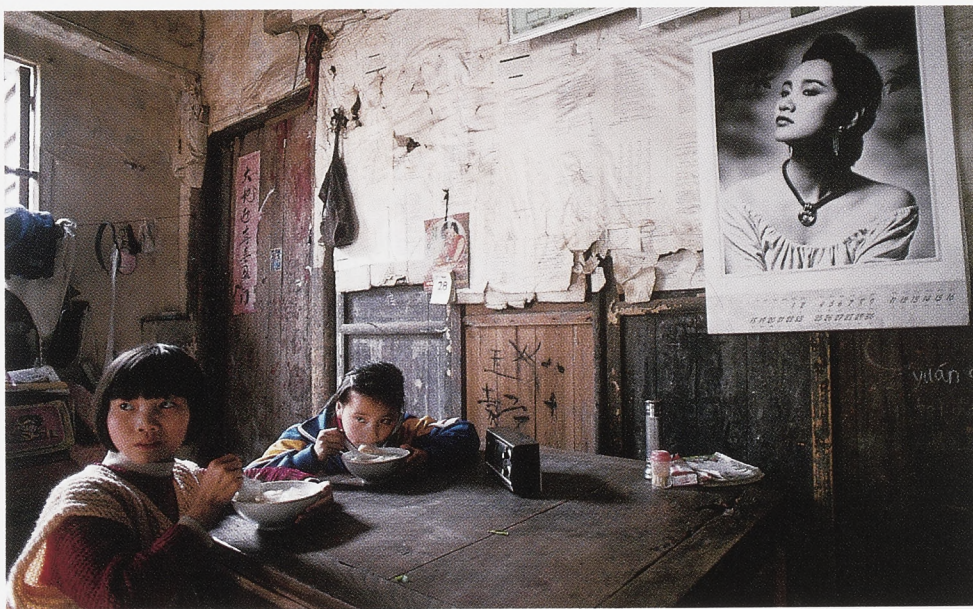
one source of rising crime and fears of instability.

To help stem the mass internal migration, the government has begun relocating companies to the hinterlands to soak up excess labor. Several Shanghai textile

and garment factories have been moved to far-west Xinjiang province, which is nearer China's cotton farms. But moving factories takes jobs from city workers and isn't enough to keep masses of idle rural workers home.

Officially, China's unemployment rate is low: just 3% of its 160 million urban workers. Yet the government admits that up to 80 million people—more than all the people in Germany—have been cut adrift. Most are peasants, no longer needed on increasingly efficient farms, who wind up traveling to cities—or go abroad—in search of work. Many villages have developed cottage industries to keep such people employed, though the work usually is seasonal: starch factories, for example, that depend on corn harvests for raw material. This floating population is

**INCOME GAP:
CONDITIONS
ARE HARSH
FOR RURAL
FAMILIES**



PHOTOGRAPH BY PETER CHARLESWORTH/SABA



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In Fuzhou, the capital of Fujian Province, a city official estimates that the number of unemployed itinerants has soared to 25,000 from 10,000 two years ago. The local government tries to send them back home but can't afford to pay the fares. "It's a very big headache," says the official.

Moreover, maintaining the credit squeeze could force the beleaguered state sector to close money-losing businesses and cast out an additional 30 million people, economists say. They think the jobless ranks are swelling by nearly 20% a year—hardly what the government wants.

In Shanghai, where 400 state enterprises have closed recently, the city is trying to develop service industries to absorb the idled workers. Although Lu Qiwei, deputy division chief of Shanghai's labor bureau, cites approvingly a 48-year-old woman who was laid off by a failing textile company, then set up her own tailor shop and hiring other workers, many Chinese sneer at such upbeat examples. Only young people with energy and entrepreneurial talent can suc-

cessfully switch to private business, says a furloughed Shanghai factory worker named Zou. At 38, he is scraping together a living by delivering goods with a tricycle cart. Others without enough education to get private-sector jobs stay home. "Some factories have a policy of sending home anyone above the age of 40," admits Han Wei, an administrator at Shanghai No. 2 Textile Machinery Co., which has furloughed 2% of its work force.

With China's frustrated jobless running low on hope, the pressure is on Beijing to keep performing a balancing act that spurs growth without unleashing hyperinflation and other destabilizing forces. While China's economy may appear monolithic to the outside world, in fact it is a stunningly complex pressure cooker of conflicting interests and impulses. Once

*As many as
80 million—
more than all
the people in
Germany—
have been
left homeless*

Deng Xiaoping declared that it was acceptable for some Chinese to get rich while others lagged behind, it created imbalances that are very difficult for egalitarian-minded Chinese to accept.

Indeed, there is still a chance China could implode. But the safer bet is that the Chinese will continue growing rapidly, simply because

such huge ambitions have been unleashed. Hundreds of millions of Chinese are counting on growth simply to survive the transition from socialism to a more market-oriented economic system. That means the outside world, already worried about new competitive pressures from China, may be witnessing only the middle stages of the giant's economic wakening.

Smith and Brauchli are staff reporters for The Wall Street Journal.

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Anger in the Streets

In Xian, wages are low, jobs are scarce—and resentment of the corrupt, high-living Party elite runs high

By David Lindorff

At a busy traffic circle south of this city of 6 million, just outside the entrance to the sprawling Shaanxi Communist Party compound, a gleaming dark-blue Rolls Royce with People's Armed Police (PAP) plates began blasting its cruise-ship-like horn. As startled drivers and bicyclists scattered, the half-million-dollar car careened through traffic, going the wrong way, then compounded the crime by turning onto the exit ramp of the four-lane expressway. Racing onto the highway against oncoming traffic, the Rolls forced dozens of vehicles off the road, then continued in the wrong direction down the main highway for about half a kilometer until the chauffeur reached his goal—a service station—where he turned in to fill up.

There were several police cars nearby, but no one thought of stopping, much less ticketing the driver of the Rolls. "China has two sets of rules," grouched a taxi driver who had witnessed the scene. "We common people can be fined for anything, even if we do nothing wrong. Officials and members of the army and the police can do whatever they want."

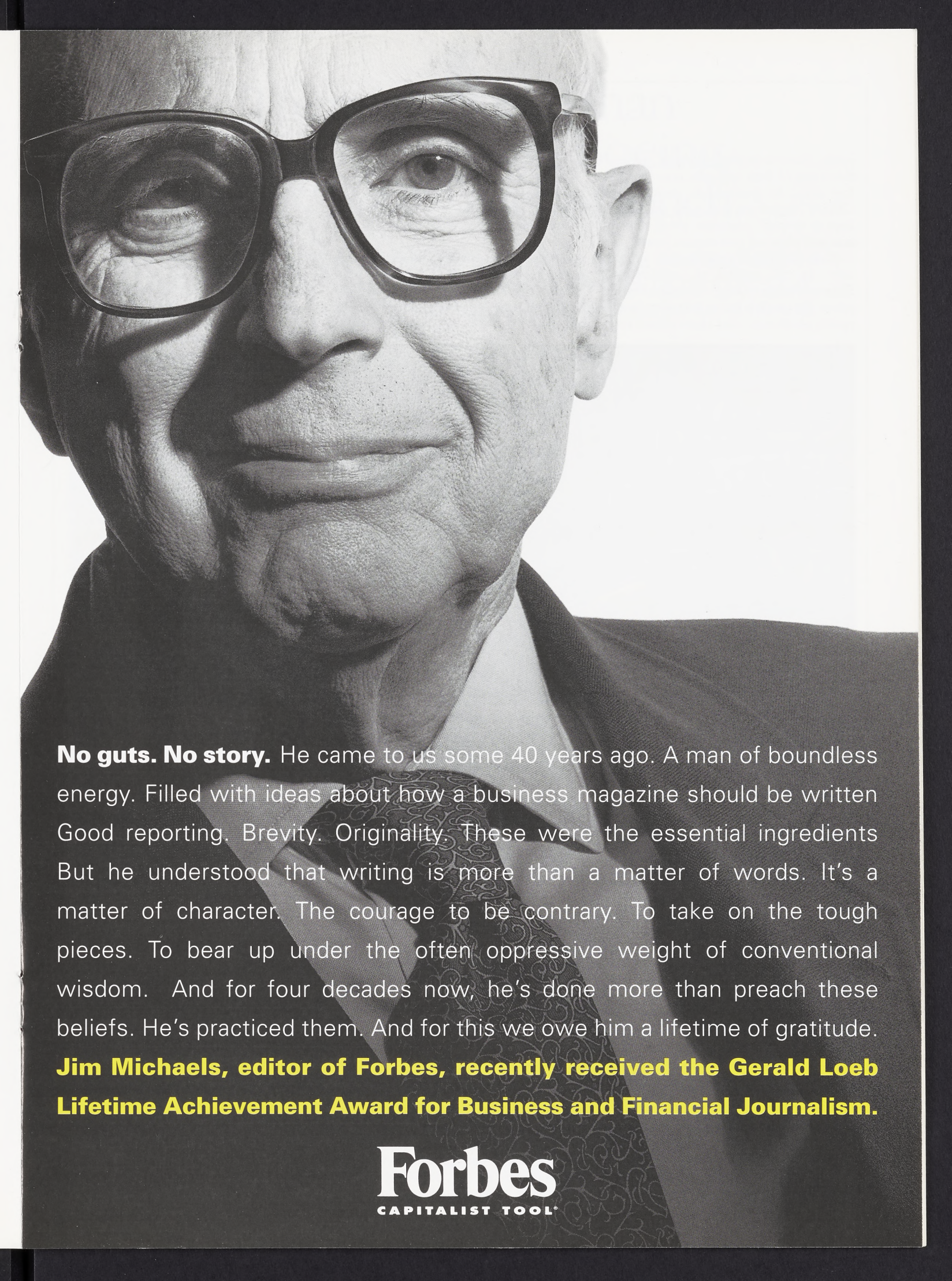
Putting aside the question of what PAP is doing driving around in late-model

Rolls Royce limousines or where officers get the money to buy such cars, here was an image that perfectly captures modern China: The ruling elite, especially in the regions remote from Beijing, hurtle along following their own rules, courting disaster while living in splendor. Meanwhile, the common people watch with mounting anger and resentment, all the while trying to stay out of harm's way.

Such blatant corruption is hardly unusual. Any evening, the parking lots in front of Xian's four- and five-star hotels and pricey restaurants, such as the Philharmonic Restaurant on Chang'an Road South, are filled with top-of-the-line Mercedes-Benzes and Toyotas, all sporting police, army, or government plates. The upstairs tables, where dinner can cost a worker's monthly wage, are usually filled with men in uniform. Ordinary people on the street can't help noticing.

Visitors who go to Beijing and Shanghai, where foreign investment is pouring in and residents have the maximum access to information about the outside world, can get a skewed notion of popular attitudes about what's happening in China these days. Shanghaiese, for ex-

RAGS TO RICHES: XIAN IS A CITY OF MARKED DISPARITIES



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Jim Michaels, editor of Forbes, recently received the Gerald Loeb Lifetime Achievement Award for Business and Financial Journalism.

Forbes
CAPITALIST TOOL

ample, have seen their incomes rise and the status of their city soar over the past five years. In general, the residents of China's biggest city are more optimistic, even if they do complain about corruption and abuse of government power.

Xian, in China's hinterland is another story. In this capital of impoverished Shaanxi Province, wages are stagnating as prices for goods such as bicycles, motorcycles, electronics, and clothes have risen

*The police act wantonly,
The prosecutor causes trouble
The people's court adjudicates recklessly
The labor camp cadres are arbitrary
Taken together, they're all turtles eggs*

Another cause of popular anger is regional jealousy. Ordinary Chinese people don't get to travel much, but the national television network, CCTV, in its broadcasts, continually celebrates coastal

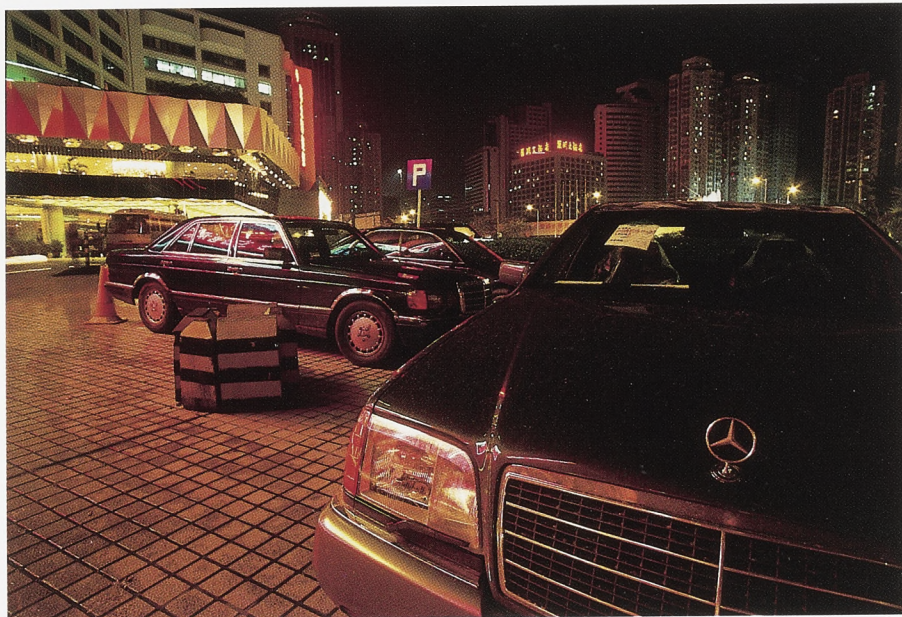
mon was the sentiment that Taiwan was the business of the Taiwanese. "What do I care if Taiwan goes independent?" asked a wealthy peasant, leaning comfortably against the ornate tiled gate at the front of his house one warm November afternoon. "That's Beijing business. What I care about is having enough money for my family. War is no good for anybody."

Xian's problems are exacerbated by a prolonged drought, which has made shut-downs of water supplies to entire districts commonplace. Worse, because some power comes from hydroelectric plants, there are regular rolling blackouts. The U. S. manager of one joint venture reports that his factory has to shut down regularly for three days a week because of a lack of electricity. Most of the tonier restaurants boast their own gas-powered generators.

City leaders are doing what they can to modernize and attract investment. A ring road designed to ease traffic congestion in the center of town is under construction, and a major campaign is on to have the city designated as the hub for China's civil aviation industry. Efforts are also under way to boost tourism. Xian, which under the name Chang'an was the capital of China's earliest dynasties, is near the colossal tomb of founding emperor Qin Shihuang, whose unearthed army of terracotta warriors annually attracts more than 1 million foreign and domestic tourists.

But efforts to modernize Xian and revitalize its economy may be in a race against mounting anger and growing impatience over the current state of affairs—a mood that could prove explosive. Xian and Shaanxi Province have historically been a center of rebellion. Yanan, the terminus of the Long March and headquarters for the Communists during World War II, is also in Shaanxi. If the bitter mood in Xian is in any way typical of other industrial areas of China, such as the northeast or the Sichuan-Hunan region—and some reports suggest that it is—Beijing's harsh crackdown on dissent, President Jiang Zemin's blatant courtship of the military, and the bluster about Taiwan may not just be evidence of paranoia. It may, like recklessly driving the wrong way down the highway, simply be classic *fin de regime* behavior.

Lindorff, a freelancer for Business Week and other publications, is based in Hong Kong



COASTAL GLITZ: IMAGES OF WEALTH SPUR JEALOUSY IN XIAN

dramatically. A typical worker earns just \$50 a month, less than half what she or he would earn in Shanghai. That, of course, is if there is work. Many of Xian's creaking state-run companies have been putting workers on furlough, sometimes without any pay.

Some laid-off workers can find jobs in the gradually opening market economy by hawking merchandise on the streets, but the weak economy has put a damper on such activities, and there's only so much room for new competitors. Crime is common, from drug dealing to burglary and violent muggings and even gang fights a stone's throw from an army base. Xian residents warn against letting teenage children out on the street at night following a string of kidnappings, mainly of young girls allegedly sold as "wives" to rural farmers.

The anger in the streets of Xian is palpable. "The leaders should be lined up against a wall and shot," said one worker who had been laid off from a factory job he had held for decades. A popular ditty these days among workers here goes:

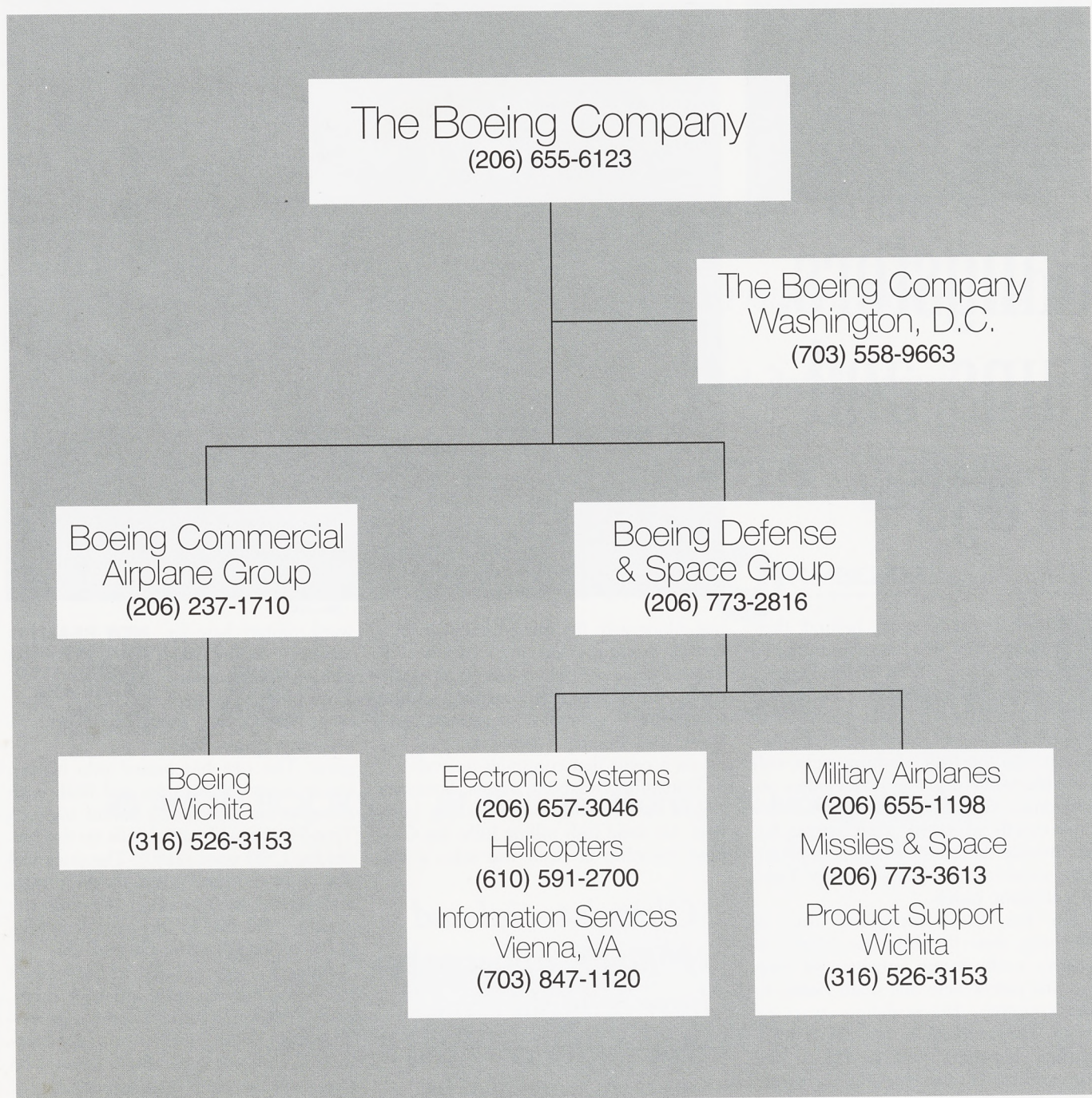
modernization in the name of national pride. Such broadcasts, usually served up with syrupy folk tunes in the background, only serve to fan resentment in the interior. It's almost as if the Propaganda Dept. takes its own nationalistic declarations so seriously it doesn't realize that showing scenes of fancy new bridges and humming assembly lines to people in a city that is suffering heavy layoffs and that still doesn't have heat in its schools might not inspire patriotic fervor.

In my four months of interviewing workers, peasants, and intellectuals in Xian last fall—at a time when Beijing, local party units, the media, and the schools were busy ratcheting up the pressure against Taiwan President Lee Teng-hui—I found not one person who supported going to war to prevent Taiwanese independence. This despite the fact that soldiers in the Xian garrison were being told to prepare for war, according to family members of some soldiers. More com-



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Gangsters, Guns, and Drugs

By Anthony Davis

Hands trussed tightly behind their backs, the two suspects watched sourly. One official of the People's Armed Police had already pulled several sacks off their truckload of dried mango husks. Another was digging deeper into the load, slashing sacks with his knife, while a young plainclothes policewoman videotaped the search. They knew exactly what they were looking for, and minutes later they found it: a plastic bag containing two heavy military Type-54 automatic pistols.

For the PAP border-patrol unit at Gazhong, near the Burmese border in China's southwestern province of Yunnan, the pistols were one small victory in the country's fast-escalating war on crime. The problem is, the war isn't escalating anywhere near as fast as the crime wave. China's massive economic and social upheavals in recent years have eroded values, increased social instability, cut into the authoritarian control of the government, and sent crime rates soar-



ing. Along with the related boom in official corruption, crime preoccupies Chinese officials, prompting draconian crackdowns, waves of executions, and public campaigns to promote "socialist values." Essentially, Beijing is barely keeping the lid on a crisis that continues to swell.

Smuggling weapons across Yunnan's rugged border with Burma is big business. Set amid lush rolling hills, the Chinese township of Ruili was once a for-

ward military base for resupply of the pro-Beijing Communist Party of Burma (CPB) in its long-running insurgency against Rangoon. The CPB has passed into history, but its weaponry lives on, and Ruili is an entrepôt for a booming border trade. A Type-54 automatic pistol sells on the border for 1,500 yuan (\$180). The price will double by the time it reaches the provincial capital of Kunming and will rise again on the way to the coastal metropolises of Shanghai and Guangzhou.

Smugglers risk a bullet in the back of the head, but the odds are with them. With hundreds of trucks and buses running daily to and from Kunming, busts such as the one at Gazhong depend on pure luck or hard intelligence. As PAP officers know all too well, both are hard to come by.

Guns are not the only illicit commodity smuggled across the border. Even

NEW REALITY: ARRESTS AND CONFISCATED DRUGS ARE ALL TOO FAMILIAR

China's social and economic upheavals have brought crime—and police are hard put to contain the growing mayhem

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more profitable is the heroin refined in labs in Burma's wild Kokang and Wa hills. Ten years ago, China's narcotics problem amounted to a trickle of Burmese opium. Now it can be measured in tons of high-grade heroin each year. Secreted in teak logs, blocks of jade, and sacks of farm produce, the "China White" moves across an all-but-open border through such Yunnanese towns as Ruili, Wanding, and Jingbong. Then it is carried by plane and truck to the great coastal cities of Shanghai, Guangzhou, and Tianjin for shipment to Australia and the U.S.

The spillover effect on China has been disastrous. Sources in the Public Security Bureau (PSB) concede that the country's addict population is close to 400,000. Independent analysts say the true figure is well over 1 million—and probably twice that. Across southern China, those figures are reflected in the dingy back alleys of Ruili and Baoshan, where addicts shoot up; in the rising tide of street crime in

**YUNNAN
SCHOOLBOY:
POVERTY IS
BREEDING
CRIME**



Kunming and Nanning; in the banners and posters that festoon the gridlocked streets of Guangzhou exhorting people to join the war on drugs; and in occasional glimpses of convicted drug traf-

fickers being driven through the streets on open trucks and loudly denounced on their way to execution.

For Beijing, the firearms and drugs flooding the southern provinces are only

PHOTOGRAPH BY EASTCOTT/MOMATUK/WOODFIN CAMP

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THE HEART OF COMMUNICATION™

the most visible symptoms of the crime wave triggered by get-rich-quick capitalism and the decay of the totalitarian order. In the southeastern economic powerhouse of Guangdong province, violent crime rose by 24% last year alone, with 31,000 convicted. As in other seaboard provinces, much of the blame for street crime focuses on transient workers, job seekers, and people drifting from rural poverty to urban joblessness—a tide of perhaps 100 million nationwide.

But a more insidious threat is the growth of organized crime: syndicates often linked by family ties to party and government officials. These organizations have the political connections and financial clout to subvert the government along lines seen in Colombia and Mexico.

Organized crime in post-totalitarian China is still in a tempestuous infancy. But in a country where secret societies have a tradition and popular appeal dating back thousands of years, the mob can be expected to flourish. Such criminal syndicates as Hong Kong's Sun Yi

On triad, Taiwan's United Bamboo Gang, and the mainland-based Big Circle Gang have already established themselves easily in major coastal cities, often with the backing of corrupt PSB or People's Liberation Army officials. A Chinese analyst in Hong Kong observes: "Corruption has been a very



significant factor in the growth of organized crime in China—at all levels, but especially in the Public Security Bureau."

Crime ranked high on the agenda of the recent annual meeting of the National People's Congress (NPC), and PAP has expanded rapidly from its birth in 1983 to a massive paramilitary force of

more than 800,000. But it is difficult to escape the conclusion that the rising casualty toll points to a conflict that is being slowly lost, not won.

Nobody is immune anymore. As president of an industrial corporation in the Shenzhen special economic zone, Chen Xianxuan ranks in China's new elite.

But one of his golf games last year was abruptly cut short by the arrival of a helicopter on the green. Armed men leaped out, dragged him aboard, and flew him to a remote hideout. Despite powerful intervention from high levels in Beijing, Chen was not released until he had negotiated his disagreements with a business rival who had his own political connections. More recently, the murder of Li Peiyao, a vice-chairman of the NPC, suggested that not even the political elite are safe. Li was killed in Beijing's closely guarded Zhongnanhai official compound during a bungled break-in. His killer—one of the PAP guards responsible for his security.

Bangkok-based Davis is a regular contributor to Asiaweek

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3. Milwaukee	63	70	.474 29.5
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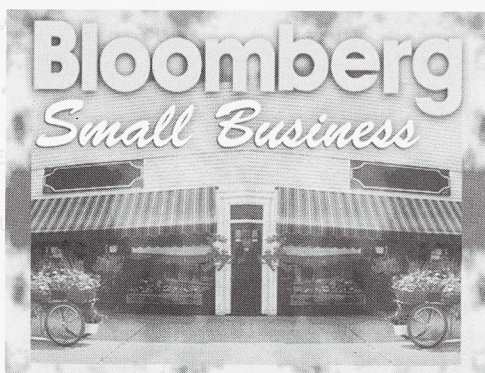
DENVER FORECAST HI/LO		THU 9/3/59	FRI 9/3/61	SAT 9/2/60	EDT 10:34 am
DJIA	4,791.61	+24.57	+5%	S&P 500	549.64 +2.52 +5%
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The Overseas Press Club of America ANNUAL AWARDS



By Michael S. Serrill, Chair, and Allan Dodds Frank, Vice-Chair

IT IS A MAJOR IRONY OF OUR TIMES THAT AS THE COLD war recedes into history, the world seems no safer or less violent than when West and East were angrily tilting thousands of deadly missiles at each other. Rather than mutual assured destruction, we are faced with smaller, local obliterations from Grozny to Kigali. This new reality was reflected in the winners of the 56th annual OPC awards.

Two of our awards were for coverage of the gruesome war in the former Yugoslavia, while two others emanate from reporting of the uprising in Chechnya. A single international trauma, the assassination of Israeli Prime Minister Yitzhak Rabin, generated three winners. On this story, the winners used their deep Middle East experience to analyze the long-term impact of this shocking event both within Israel and throughout the region.

*The judges
concluded that
the quality of the
entries has never
been higher*

Noteworthy in this year's competition was the number of entries dealing with past conflicts. The best television documentary traced the highly political decision-making process that resulted in the dropping of the atomic bomb over Hiroshima. And the best book looked back at the secret war in Laos during the Vietnam era.

Another prominent trend this year is the number of awards given for stories from the developing world. From China to Cuba, these stories distinguished themselves for the depth of commitment that news organizations made.

Many thanks to the 45 judges who volunteered their time to choose the best and the brightest from among our 354 entries. The consensus of the judges was that the quality of the entries has never been higher, and international journalism remains a vital component of our profession.

1. THE HAL BOYLE AWARD

Best newspaper or wire service reporting from abroad

DAVID ROHDE

The Christian Science Monitor
"Exposing the Srebrenica Massacre"

With great persistence, and at considerable personal risk, Rohde visited Serb-held Bosnia and obtained hard physical evidence of mass executions. His graphic yet carefully measured reports offered the first confirmation of the terrible fate of thousands of Bosnian Muslims after the fall of Srebrenica. Their killing represented the largest massacre in Europe since the Holocaust. The author was able to find nine credible survivors of the executions and persuade them to reveal, for the first time, the scope of the massacres and the role of Bosnian Serb commander General Ratko Mladic.

CITATION: Nicholas D. Kristof (*The New York Times*)
Reporting on Japan



2. THE BOB CONSIDINE AWARD

Best newspaper or wire-service interpretation of foreign affairs

SUSAN SACHS

Newsday
"Reading, Writing and Hate"

With Israelis, Palestinians, and others groping toward peace, Sachs examined what the children of the region are learning about each other. Her series confirmed that while political leaders talk of reconciliation, schoolchildren in every country in the region are still learning to hate their neighbors. "Reading, Writing and Hate" is a model of well-conceived and well-executed journalism, thorough and balanced yet extraordinarily engaging.

CITATIONS: Sarah Bachman (*San Jose Mercury News*)
Bangladesh
Kristin Huckshorn (*San Jose Mercury News*)
Vietnam



3. THE ROBERT CAPA GOLD MEDAL

Best published photographic reporting from abroad requiring exceptional courage and enterprise

ANTHONY SUAU

Time
"Grozny: Russia's Nightmare"

Black-and-white images, shot in the midst of fierce fighting and aerial bombardment, project a mood of impending danger, capturing the uncertainty and horror that define the Chechen conflict. Suau's photography is a unique blend of artistry and journalism.



4. THE OLIVIER REBBOT AWARD

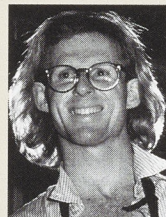
Best photography in magazines and books

DAVID TURNLEY

Black Star for Time
"Same Land, Same Fate:
Refugees in the Balkans"

Turnley focused his lens on the bereaved and bereft on all sides of the tragic Balkan conflict. In his touching images, Serbs, Croats, and Muslims are united at least in their common sorrow at the pain and grief that are the legacy of intense fighting.

CITATIONS: Eugene Richards (*Life Magazine*)
"Open Hearts"
Sebastiao Salgado (*Rolling Stone*)
"Casualties of War:
Inside the Balkans' Refugee Camps"



5. THE JOHN FABER AWARD

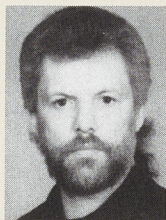
Best photography in newspapers and wire services

MINDAUGAS KULBIS

The Associated Press
"The War in Chechnya"

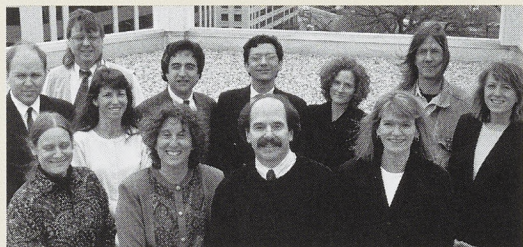
The Kulbis series, all taken during a two-week period in January, 1995, is a powerful testament to the viciousness of this separatist conflict. Many of the photographed dead are victims of Russian blanket air attacks on the Chechen capital.

CITATIONS: David Brauchli (*The Associated Press*)
"Grozny, Chechnya"



6. THE LOWELL THOMAS AWARD

Best radio news or interpretation of foreign affairs



**DANIEL ZWERDLING
LINDA GRADSTEIN
MARTHA RADDATZ** AND THE STAFF OF
"WEEKEND, ALL
THINGS CONSIDERED"

National Public Radio

Live coverage of the assassination of Yitzhak Rabin

The report provides a perfect mix of perspective, context and spot reporting that is rare in broadcast news today. NPR correspondents in Israel and Washington succeeded in making their sober, unadorned voices convey the horror, shame and tragedy of Yitzhak Rabin's assassination.

CITATION: Adam Raphael
(*CBS News Radio*) "Letter from London"

7. THE DAVID KAPLAN AWARD

Best TV spot news reporting from abroad

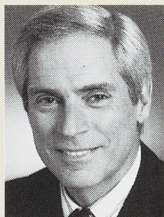
**DAN MOGULOF
GABY SILON
NEVILLE HARRIS
BOB SIMON**

CBS News

"The Assassination of
Yitzhak Rabin"



MOGULOF



SIMON

Simon's coverage could have been performed only by an experienced correspondent who has been a long-time observer of the Israeli scene. It offered depth on the historical and political background to the crime and its likely effect; looked at the issues involved across generations; and was produced in a way that held the viewer's interest. CBS viewers got reporting that went far beyond the kind of international coverage that results when correspondents are parachuted into situations that they don't know well.

8. THE EDWARD R. MURROW AWARD

Best TV interpretation or documentary on foreign affairs

**SHERRY JONES
ELIZABETH SAMS
MARTIN SMITH
PETER JENNINGS**

ABC News

"Hiroshima: Why the
Bomb was Dropped"



JONES



SAMS

Starting from the controversy over the display of the Enola Gay at the Smithsonian, Jennings and Smith explored the hidden debate within the Truman Administration over using the atomic bomb on Japan. They asked whether alternatives



SMITH



JENNINGS

might have ended the war as quickly, questioned Truman's claim that 1 million American lives were saved, and highlighted America's determination to end the war before Stalin could get involved in Asia and share credit. Probing interviews with current historians added value to this narrative.

CITATIONS: Linda Mason, David Browning
CBS Reports (*CBS News*)
"Victory in the Pacific"
CNN International (*CNN*)
"Rwanda: Cry Justice"

9. THE ED CUNNINGHAM MEMORIAL

Best magazine reporting from abroad

**JAMES R. GAINES
JOHANNA McGEARY
LISA BEYER
STEVE WULF
KEVIN FEDARKO
AND STAFF**

Time

"Yitzhak Rabin:
Death of a Peacemaker"

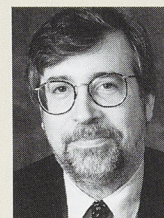


McGEARY



BEYER

News of Israeli Prime Minister Yitzhak Rabin's assassination hit just 12 hours before *Time* was set to go to print. In a stunning execution of deadline and breaking-news journalism, *Time* responded with a well-crafted 13-page special package of global stories and features replete with exclusive and compelling content.



GAINES

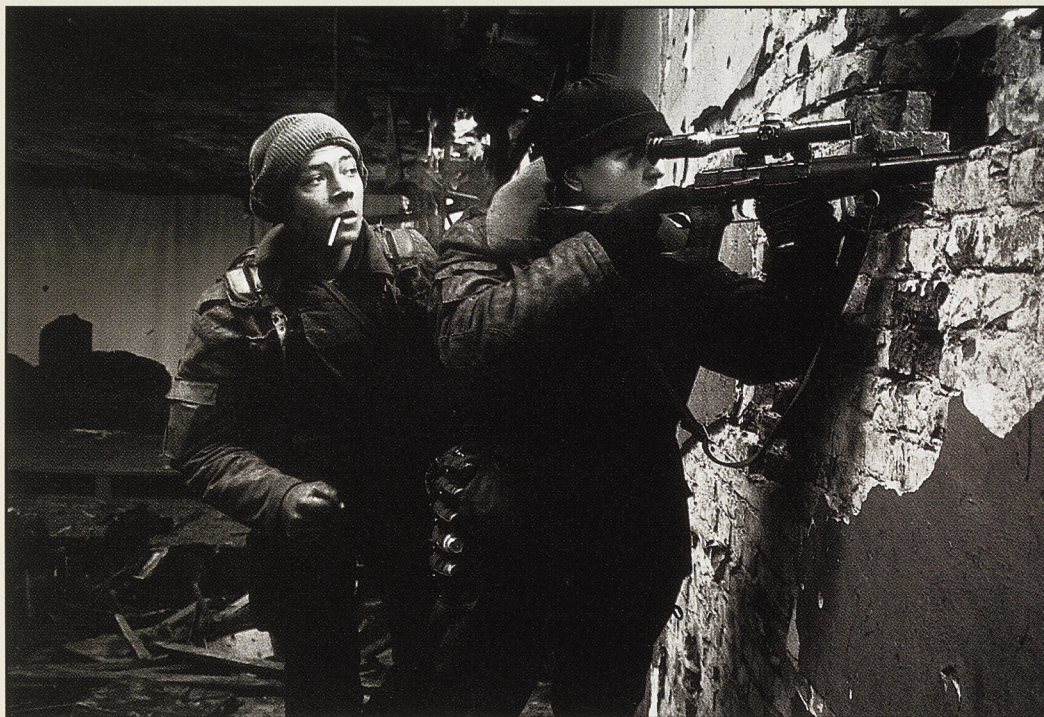
CITATION: Keith B. Richburg
(*Washington Post Magazine*)
"An American in Africa"



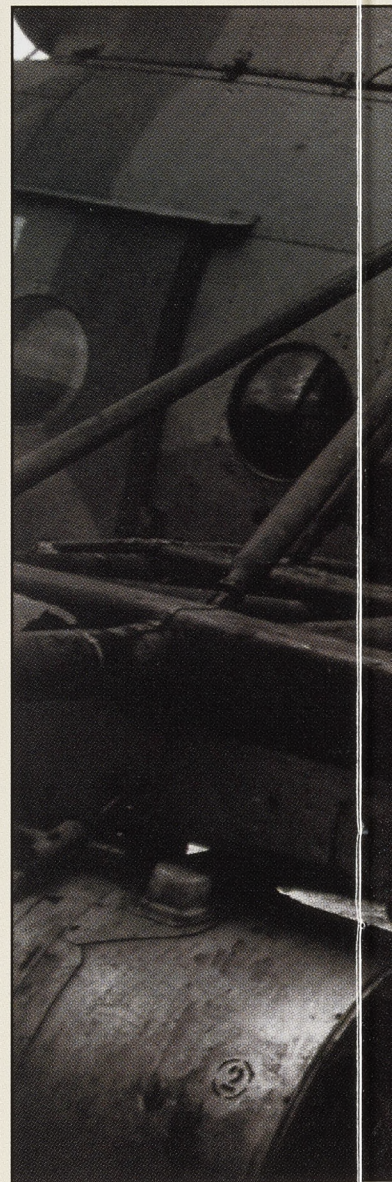
The Robert Capa Gold Medal

ANTHONY SUAU

THE RUSSIAN ASSAULT
ON THE CHECHEN
CAPITAL OF GROZNY
(LEFT) RESULTED IN
ALMOST COMPLETE
DESTRUCTION, FORCING
MUCH OF THE
POPULATION TO FLEE.



BOTH SIDES RELIED
HEAVILY ON SNIPERS.
HERE TWO RUSSIANS
TAKE AIM AT CHECHEN
FRONTLINE POSITIONS.





A RUSSIAN SOLDIER
HOISTS AN
UNEXPLODED TANK
SHELL (LEFT);
DESPITE THEIR
SUPERIOR WEAPONRY,
INCLUDING AIRCRAFT,
THE RUSSIANS
SUFFERED HEAVY
CASUALTIES.





The John Faber Award

MINDAUGAS KULBIS

THEIR ECONOMY
DISRUPTED,
HUNGRY CHECHENS
REACH OUT FOR
PRECIOUS LOAVES
OF BREAD (ABOVE).
A CHECHEN PAUSES
IN A GRAVEYARD ON
A COLD JANUARY
MORNING
AFTER DIGGING
A GRAVE FOR HIS
FRIEND (RIGHT).



The Olivier Rebbot Award

DAVID TURNLEY

AT TUZLA'S AIRPORT
(ABOVE), A YOUNG GIRL
PULLS HER BROTHER
IN A CARTON THAT
CONTAINED REFUGEE
ASSISTANCE.

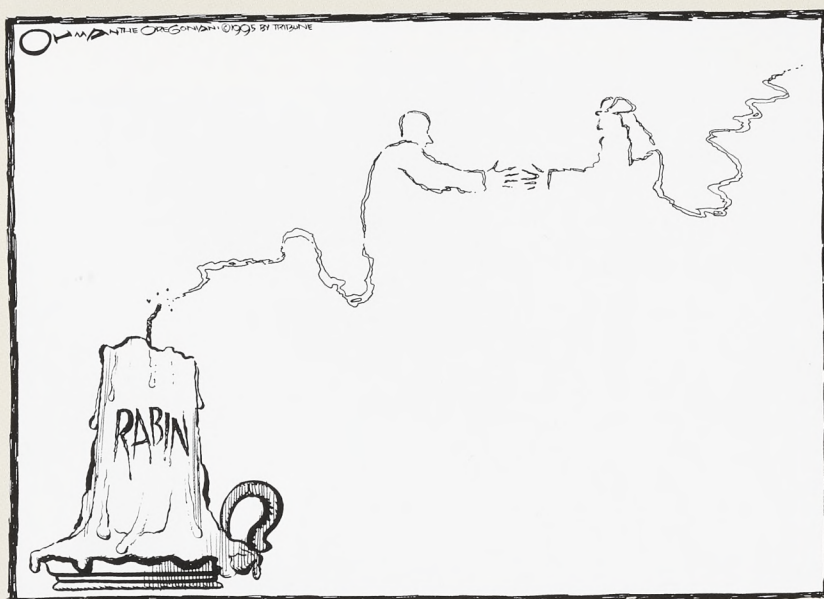
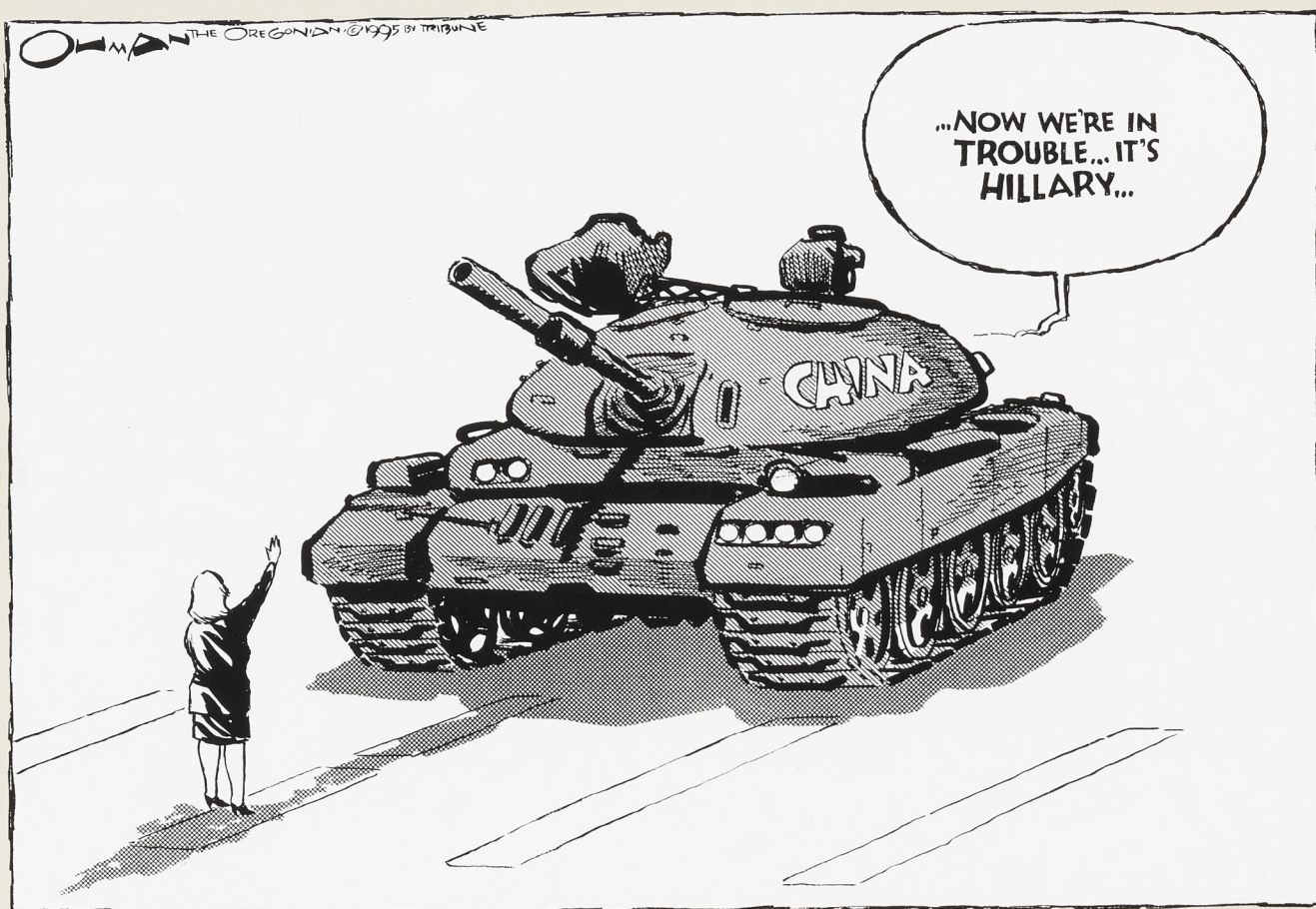


A WEARY SERBIAN
FARMER IN BANJA LUKA
LEANS AGAINST THE
STEERING WHEEL OF A
TRACTOR HE HAD BEEN
DRIVING TO ESCAPE
A NEARBY CROATIAN
ATTACK (RIGHT).



10. THE THOMAS NAST AWARD

Best cartoons on foreign affairs



JACK OHMAN
The Oregonian

Ohman's cartoons appear in more than 175 newspapers in the U.S. and abroad. His cartoons on China, the U.N., Robert McNamara's book, and other world events have been widely reprinted. His work exemplifies the force, wit, and power that characterize the very best of editorial cartoons.

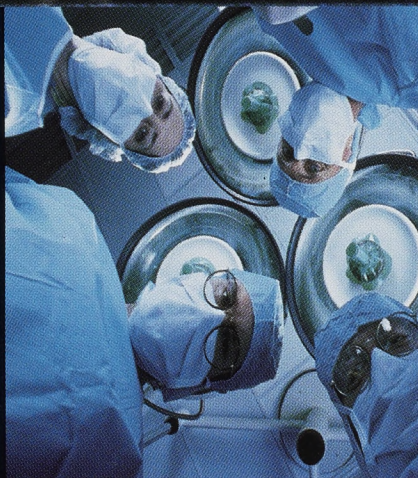
CITATION: Stephen R. Benson
(*The Arizona Republic*)



PEN 2527 253
ANGE 2526
UTURE FEB MAR
IGH 2537 254

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assist in surgery,
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and turn 40,000 kids
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11. THE MORTON FRANK AWARD

Best business reporting from abroad in magazines

**PETE ENGARDIO
DEXTER ROBERTS
BRUCE EINHORN**

Business Week
"China's New Elite"



ENGARDIO



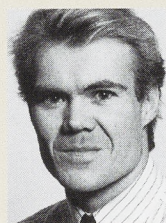
EINHORN

"China's New Elite" is a richly detailed introduction to the middle-aged generation of Chinese leaders who survived the Cultural Revolution and are now poised to reshape China. The profiles of political exiles, government leaders, university scholars, and executives of multinational and local businesses that accompany the main story underline the potential influence of this generation as well as the editorial scope of this project. The authors concluded that this generation is cosmopolitan, sophisticated, and wary of rigid ideology. For that reason, they will make an impact on every aspect of Chinese society from business to government to the arts.

— Co-winners —

**BILL POWELL
MARCUS MABRY
THERESA WALDROP
AND TEAM**

Newsweek
"End of the Good Life"



POWELL



MABRY

"End of the Good Life" is an insightful examination of the clash between European governments' budgetary austerity and citizens' widespread sense of entitlement. It is clear that Europe can no longer afford generous benefits for everyone. This provocative cover story and the accompanying sidebars combine an analysis of the economic forces with the human face of Europe's economic and social dilemma.

CITATION: Paul Klebnikov (*Forbes*)
"Russia on the Pacific"

12. THE MALCOLM FORBES AWARD

*Best business reporting from abroad
in newspapers or wire services*

**LAWRENCE INGRASSI
SARA WEBB
MICHAEL R. SESIT
NICHOLAS BRAY
ROBERT STEINER**

**JEREMY MARK
LAURA JERESKI
MARCUS BRAUCHLI
GLENN WHITNEY**

The Wall Street Journal
"The Fall of the House of Barings"

The collapse of the venerable British investment bank, Barings PLC, was one of last year's most important financial events. The *Journal's* coverage of Barings was timely, sophisticated, and insightful. The paper quickly pulled together a rich account and analysis of the collapse, precipitated by derivatives losses by Nick Leeson, a Singapore-based trader. Subsequent articles broke ground in exposing how lax controls, turf conflicts, and unwillingness to put curbs on Leeson, who was viewed as a big moneymaker, contributed to the debacle.

CITATION: Mary Williams Walsh (*Los Angeles Times*)
Reports from Germany

13. THE CARL SPIELVOGEL AWARD

*Best business reporting from abroad
in the broadcast media*

**ERIC GONON
LARRY REGISTER
LOU DOBBS
AND TEAM**

CNN Financial News
"Moneyline with
Lou Dobbs" in Cuba



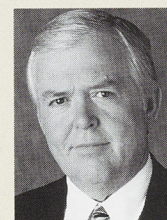
GONON



REGISTER

This was a comprehensive discussion of recent economic changes in Cuba and was broadcast from the island. The series emphasized what was happening on the scene, in Cuba, rather than depending on experts in Washington or Miami who may have skewed perspectives.

CITATION: Andrew Horvat
(*Monitor Radio*)
"Japanese Language:
Bridge or Barrier"



DOBBS

14. THE CORNELIUS RYAN AWARD

Best nonfiction book on foreign affairs

ROGER WARNER

Simon & Schuster

"Back Fire"

Roger Warner's *Back Fire* is a compelling tale of Laos in the 1960s, an obscure sideshow of the Vietnam War. Warner marries journalism and history in recounting the tangled saga of the "secret" CIA war in Laos. He orchestrates a fascinating cast of characters who were key players in an increasingly savage conflict. Freelance writer Warner rarely stoops to preaching, instead allowing the full complexity and moral ambiguities of this shadowy, violent episode to emerge from the story.

CITATION: Philip Zelikow, Condoleezza Rice

(*Harvard University Press*)

"Germany Unified and Europe Transformed:
A Study in Statecraft"



16. THE ERIC AND AMY BURGER AWARD

*Best reporting in any medium
dealing with human rights*

GARY COHN

GINGER THOMPSON

The Baltimore Sun

"Honduras:

Battalion 316"



COHN



THOMPSON

The search for Nelson Mackay Chavarria—family man, government lawyer, possible subversive—began one Sunday in 1982 after he devoured a pancake breakfast and stopped out to buy a newspaper. It ended in December, 1994, when his moldering bones were plucked from a pit in rural Honduras. In vivid prose, the correspondents tell how hundreds of Honduran citizens were kidnapped, tortured, and killed in the 1980s by a secret army unit trained and supported by the Central Intelligence Agency. *The Sun* committed much time and effort to reporting these troubling events in a locale far from the daily concerns of its readers.

15. THE MADELINE DANE ROSS AWARD

*Best foreign correspondent in any medium showing
a concern for the human condition*

LAURIE GARRETT

Newsday

"Ebola"

Laurie Garrett's reporting on the Ebola outbreak was a combination of superb investigative reporting and excellent science writing. Garrett, a medical reporter for decades, spent nine days in Kikwit, working with the investigating scientists and participating in the field work. She was able to describe in a clear prose style not only the efforts to identify and contain the virus, but also the toll it took on individual human lives.

CITATION: Philip Gourevitch (*The New Yorker*)

"Letter from Rwanda: After the Genocide"



17. THE WHITMAN BASSOW AWARD

*Best reporting in any medium
on international environmental issues*

MICHAEL PARFIT

National Geographic Magazine

"Diminishing Returns—

Exploiting the Ocean's Bounty"



This article includes reporting from Alaska, Morocco, Senegal, the Philippines, the west coast of Spain, the seas off Patagonia, the northwest Atlantic near Iceland, and the waters of Newfoundland and Cape Cod. Parfit netted quotes from businesspeople, boat crews, and subsistence fishermen, as well as from diplomats and scientists. What Parfit establishes is that the world's fisheries are in terrible shape as a result of overfishing and the politics of territoriality. He writes: "The unthinkable has come to pass: the wealth of oceans, once deemed inexhaustible, has proven finite." The piece is magnificently illustrated with photos, maps, and drawings.

CITATION: Eugene Linden (*Time*)

"The Rape of Siberia"



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Newsday

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Forbes Magazine

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Robert Teitelman, *Institutional Investor*; Jefferson Grigsby, formerly UPI & *Forbes*; Christopher Power, *Business Week*

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THE ERIC AND AMY BURGER AWARD

Jay Mathews, *Washington Post*; Melanie Kirkpatrick, *Wall Street Journal*; Ian Williams, *UN Correspondents Association*; Carroll Bogert, *Newsweek*

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THE WHITMAN BASSOW AWARD

Steven S. Ross, Columbia University Graduate School of Journalism; Sharon Begley, *Newsweek*; Linda Fasulo, NBC

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AVAILABLE IN ANY LANGUAGE.**

How the West Will Finance

By David Lake



CHINESE STAMPS: OLD STATE-RUN INDUSTRIES NEED PILES OF MONEY

金融信息

上证指数	3191.32	4.35	4.75
深证指数	7787.21	9.42	9.20
国债	131.60	4.76	4.60
企业债	130.97	5.85	5.75
可转债	274.93	7.14	6.77
基金	1351.45	7.46	6.50
期货	3250.88	6.95	6.75
黄金	174.64	3.28	1.26
白银	424.50	4.84	6.77
铜	568.00	17.30	8.33
铝	2066.00	8.40	11.55
镍	1870.00	8.50	8.62
钴	823.68	11.75	11.05
钨	475.36	11.25	10.00
钼	802.00	10.09	11.00
铌	1302.00	10.30	11.00
铍	840.00	10.85	10.00
锂	6167.00	15.38	10.00
铈	6875.44	1	
铈	11251.04	1	

SHANGHAI LISTINGS: CHINA MAY ADD 10,000 COMPANIES

The Chinese economic beat is like a cross between two movies—a James Bond thriller and the dystopian *Bladerunner*. Gold-plated limousines beep their way past throngs of urgent cyclists, rushing “socialist marketeers” to late-night meetings at racy clubs. Smog-filled cityscapes reminiscent of Industrial Revolution London are broken by giant Sony screens advertising trendy luxury items. Power-wielding generals with a penchant for turtle-blood *maotai* and fried scorpions cut megadeals in their spare time. Businessmen who once could hardly raise the fare for a meal at the Beijing Hotel have ended up owning industrial complexes the size of some U.S. cities.

The failures are as impressive as the successes. Without legal precedent or strong definition of what goes and what does not in what Deng Xiaoping called a socialist market economy, deviation from the government-sanctioned path can be dealt with harshly. Take the two women who raised over \$1 billion by promising returns of more than 10% per month. They lost more than \$100 million before police stepped in. The saga ended with a conviction and the ultimate penalty—a bullet in the head.

As in every country striving for rapid development, China's ambitions cannot be realized without massive infusions of cash. Citicorp Chairman John Reed estimates China will need more than \$55 trillion to become a developed nation. Whatever the sum, a good portion will certainly come from the global market, and even the most ardent Communist knows it. With New York Stock Exchange listings and billion-dollar bond issues, China's financiers have rapidly emerged as global players. Via Hong Kong H shares, NYSE listings, Bermuda-based shell companies, Shenzhen and Shanghai B shares, foreigners are buying equity in the Chinese dream.

Everyone seems to have an interest in seeing the experiment work. Charles Li, former chairman of the Hong Kong Stock Exchange and the man responsible for opening the market to China listings, estimates there are 10,000 potential stock listings to come out of China in the next few decades. “We expect Hong Kong to get its fair share,” says Li. “We are the goose that lays the golden egg.”

The verdict is out on which market—Shanghai, Hong Kong, or Shenzhen—will prevail. But as that battle is being decided, another will be

fought on the international front. While Western investors have yet to show tremendous enthusiasm for the few Chinese companies that have listed overseas, industry observers still expect exchanges from New York to London and Tokyo to compete intensely for Chinese companies. Edmund Lukas, head of international listings for the NYSE, calculates the stakes: “The 10,000 listing mark is not out of the question. If that ambitious mark is achieved over time, foreign exchanges can expect



ROLLS ROYCE IN BEIJING: A FAVORITE OF “SOCIALIST MARKETEERS”

500 overseas listings at least.”

Foreign fund managers will push domestic and foreign markets forward. Of this intrepid group, Mark Mobius, one of the world's foremost emerging-market investors and president of Templeton Emerging Market funds, has invested over \$200 million in China and over \$1 billion in the China/Hong Kong nexus, more than any Western fund manager.

Mobius, known for his Yul Brynner look and savvy marketing skills, prides himself on global accessibility. During one week of tracking Mobius for an interview, pleasantries over the cellular phone were exchanged in Johannesburg, Nairobi, Moscow, London, and San Francisco. “In many ways, China offers a much purer form of capitalism than America,” says Mobius. “It's more free-wheeling, and capital markets are less regulated.”



CHANGE, PLEASE: CHANNELING CAPITAL IS A MAJOR TASK

e China's Rockefellers

Mobius and other institutional investors are most interested in China's new generation of free-spirited entrepreneurs. They understand these are the J.P. Morgans and John D. Rockefellers of the next century. And no one epitomizes this new era of laissez-faire economics more than Zhang Hongwei, an entrepreneur whose meteoric rise is impressive by any measure.

Having started with \$100 when China's doors inched open in 1979, Zhang built Orient Enterprises into a conglomerate based in the northeastern city of Harbin that spans 33 countries and has revenues of some \$400 million. "My generation understands the basis upon which both a planned and a Western economy runs," says Zhang. "We are ready to integrate the two models and explore the different ideologies in search of a Chinese style." He says senior government leaders are watching to see whether his model can be replicated across the country.

What's the difference between Zhang and what the Chinese used to decry as a "capitalist roadster?" He notes there is indeed an important difference because he is trying to share his knowhow. Having listed Orient Enterprises on the Shanghai Stock Exchange and watched the stock become one of the market's most traded, Zhang is setting his sights on the restructuring of ailing state enterprises, of which there is no shortage. Since 1993, Zhang has packaged eight such groups. One is the Port of Bohai, which Orient hopes to list on the NYSE, attracting \$400 million for some much-needed renovations.

Along with many other such figures in China, Zhang understands that the way forward in capital markets means restructuring state-owned enterprises. While regulators are not keen on allowing private groups to tap foreign capital, they are in favor of selling and refinancing state assets. It is this group of companies that will make up the bulk of the supposed 10,000 new listings.

With two-thirds of state enterprises on the verge of bankruptcy, a dangerous web of triangular debt, and companies barely able to meet payrolls, a solution is drastically needed to keep this house of cards standing. Professor Yang Qixian, one of China's foremost economists and a former commissioner of the State Commission for Restructuring the Economic System, believes it is critical to transfer the risk of running companies from the state into the hands of management. Since both the enterprises and the banks are state-owned, says Yang, "enterprise does not always feel the need to pay back loans to bankers."

Fixing the state enterprises, however, necessitates tampering with the social side of industry and redefining the very nature of the enterprise system. One way of unloading the social burden

from the backs of state companies is to lay off a portion of the workforce. However, senior leaders are well aware that throwing millions of people out of work can lead to civil strife.

A microcosm of this dilemma is seen in China's biggest employer, the textile industry. The restructuring process is ruled by China National Textile Council and overseen by Chairwoman Wu Wenying, with some 15 million people and 20,000 enterprises under her wing. Wu has been studying how other countries have made the transition from pure socialism to more market-driven economies. "Modernization may mean we no longer need all those people," she says. "If that is true, what is to be done?" Wu's idea: Enlist aid from foreign investors. As chairwoman of Yizheng Chemical Fibre, Wu personally commanded the company through a highly successful \$300 million Hong Kong listing.

One of the most sensitive issues in creating Deng's socialist market economy is determining what rules will prevail. Notes one banker: "America is a land ruled by law, China is a land ruled by people." Law has never really mattered much. Changing that reality is falling to people such as Ray Harris of Deloitte Touche Tohmatsu International, whose firm has been chosen by the Finance Ministry to come up with an accounting system for Chinese companies based on global standards.

The new standards are expected to be completed later this year, but the government could stall in implementing them. "Without harmonious standards, companies cannot easily raise funds on the global market," says Harris. "But China should not be daunted by the task. Accounting standards will only help the Chinese government succeed in developing a socialist market system that makes economic sense."

In short, structuring its financial markets is the key to China's ability to sustaining its economic emergence. It is a gargantuan undertaking because it means transforming the current Wild, Wild West atmosphere into a more rational system that is at least slightly more transparent to international investors. If China fails in this mission, the notion of a socialist market economy could prove to be nothing more than the ill-begotten dream of an ailing patriarch.

Lake is Montreal-based co-publisher and editor-in-chief of China Capital Markets & Investor Relations Review.



**COLD CASH:
EVEN ARDENT
COMMUNISTS
SEE A NEED
FOR FOREIGN
INVESTMENT**

*Strong
financial
markets
are the key
to luring
foreign
cash—and
sustaining
China's
economy*



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Datong's Dirty Business

By Dexter Roberts

Pulling into Datong on the overnight train from Beijing, one encounters an eerie sight: hulking, coal-fired power plants looming beside the railroad tracks. As the train clanks to a stop at the central station, a feeble sunrise is trying to push through the air's thick soup of coal dust and smog.

Most people don't come to Datong to see the coal—but all find the black stuff difficult to ignore. Located in Shanxi Province, which holds one-third of China's reserves, Datong is home to the country's largest coal mines. While tourists arrive mainly to see the region's 1,500-year-old Buddhist cave carvings and a spectacular cliffside temple, they usually have to spend at least one night in China's No. 1 coal town.

I had come for a weekend vacation from the grind of living and working as a journalist in Beijing—a chance to get away briefly from the chaotic, fast-changing environment of the capital and see a quieter, older China. I probably should have known better.

Sleep-deprived from an overnight train ride in “hard sleeper” class—where I had

to listen to my neighbors chat all night while I vainly tried to sleep on a combination seat/bed—and overwhelmed by the foul air and crowds of idle people, I stumbled off for a day of sightseeing, determined to escape all this.

Datong is old, but it's hardly quiet these days. This industrial city has long been poor, a victim of central government policies that kept coal prices arti-

*Coal mining is
the lifeblood here—
but you might not
wish this life on your
worst enemies*

ficially low for the country's industrial development but also kept tens of thousands of miners and their families housed and fed—the quintessential company town, with the Communist government serving as the benevolent corporate provider. But things are clearly changing.

While the pollution hasn't gone anywhere, China's continuing economic liberalization has seen the creation of a

dual coal economy. On one hand, there are the government's tightly controlled mines, which still sell through official channels, usually at low prices. But Beijing's new policies have freed entrepreneurs to start their own businesses—digging, hauling, and selling to power-starved urban factories willing to pay more. “All the big money in this town comes from private coal mining and selling,” says a man named Xu, the driver and owner of the van I've rented.

That means a few businesspeople have become rich, but it also has laid bare some of the toughest dilemmas facing China today. The country's severe problems with transportation bottlenecks show up on Datong's overwhelmed coal-truck-laden roads. The unregulated, private mines have blown miner fatalities sky-high. Unemployed workers loiter on the city's bleak streets. And the pollution has only gotten worse.

Because of China's explosive growth,

**CHOKO CITY:
GROWTH HAS
CREATED AN
INSATIABLE
DEMAND FOR
ELECTRICITY**



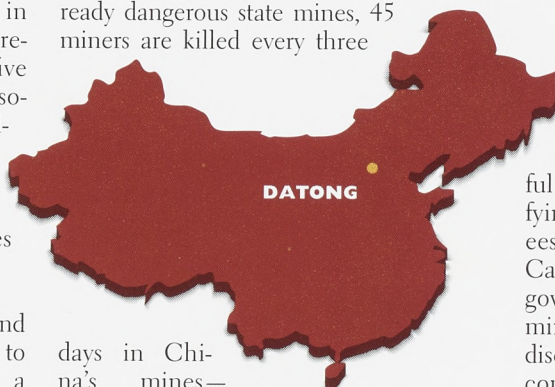
the demand for coal across the country is tremendous and will keep roaring upward. As a result, even stodgy state planners are waking up to the grim realities of acid rain and unpleasant statistics detailing deteriorating health nationwide from rampant air pollution.

The mines are already loaded with problems. Massive overemployment in the coal industry means China must retire 500,000 workers over the next five years. That will mean even greater social welfare burdens for state mines already saddled with supplying pensions and health care for more than 1 million retirees. It also means more people on the streets of cities such as Datong.

With budgets increasingly tight and government mines unable to meet production demands, a proliferation of unregulated private mines has swept China—some 80,000 across the country, of which more than half are illegal, inefficient, and responsible for staggering pollution and safety problems. “They go in

there and take bits and pieces out, turning the countryside into a Swiss cheese,” says the Beijing representative of a foreign power company. “That ruins it for serious miners, and kills God knows how many peasants.”

With fatalities in private mines running at levels eight times that of the already dangerous state mines, 45 miners are killed every three



days in China's mines—equal to the number killed over the course of one year in U.S. mines. And that is according to government-released statistics. Actual fatalities run much higher, experts say.

As the government has moved in to

China says 45 workers die every three days in mine accidents. In the U.S., that many are killed in a year

crack down on this illegal and wasteful economy, the entrepreneurial, law-defying mine managers and their employees have sometimes reacted violently. Cases of armed peasant workers holding government soldiers at bay and even of mines ringed by explosive minefields to discourage any outside interference are commonly known, if little reported in the official press.

With the local air already thick with sulphur and heavy metals from coal burning, the pollution is even beginning to ruin the cave carvings commissioned by the rulers of the Northern Wei Dy-

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nasty, devout Buddhists who located their imperial capital in this region of dry, yellow land. Across the valley and under the watchful gaze of the big Buddhas, the hills are spotted with the entrances of mines. And the narrow road snaking into the city has become snarled with traffic. Hundreds of dangerously overloaded coal trucks wheeze along the road, and long lines of vehicles idle behind frightening road accidents. I counted seven overturned trucks, their spilled coal swamping the lanes, during the two-hour drive back to town.

One bitter irony for locals here is that while much of the coal is burned in nearby power plants, the electricity is sent elsewhere. "All of it goes straight off to Beijing and Tianjin," my driver says, gesturing at the huge pylons rushing eastward across the valley.

Indeed, many people in outlying areas live without any sign of coal or electricity. Farther outside town, on my second day of exploration, I pass through villages where homes are

scratched into the rough yellow hillsides or built into existing caves in the same way the Yanan-based Communists lived some 50 years ago. There are no power lines, and village houses rely on heaps of dung for fuel.

All this leaves China with a lot of



**BUDDHIST
BOUNTY:
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tough questions and seemingly few answers. China is rushing to raise living standards for its still overwhelmingly poor population and to free up an economy long shackled by inefficient state policies. But these same efforts are contributing to the country's burgeoning pollution problems and often produce dangerous working conditions and deteriorating health standards.

The path toward greater economic development isn't smooth or pretty. There are many hidden costs and many bottlenecks. But the momentum is great. With a line that could describe the country as a whole, the Beijing rep says: "The coal industry is massive and creaking and it has some peculiar characteristics, but the whole equation is moving forward." True, but the price for that progress is huge.

Roberts is a Beijing-based freelancer for Business Week and other publications

PHOTOGRAPH BY JEFFERY ARRONSON/NETWORK ASPEN

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'Encouraging' Preliminary Results Found in U.S. Study of Effectiveness Of Tree Extract From France In Treating HIV/AIDS Patients

A grassroots clinical trial currently nearing completion with 400 AIDS patients across the U.S., as participants, is showing that the boxwood evergreen tree extract acts as a natural antiretroviral which shows no signs of toxicity.

The SPV-30 evergreen tree extract is manufactured by Arkopharma, of Nice, France, Europe's largest dedicated producer of plant and other natural health products.

Preliminary results, called "encouraging," have shown that two-thirds to three-fourths of participants in the U.S. study experience drops in viral load, it was reported. (Viral load is the measurement of HIV virus particles present in the blood). Approximately 40 percent of participants are experiencing significant drops in viral load by the fourth month. For participants with viral loads greater than 40,000 at baseline, three out of four have experienced drops in viral load by the fourth month.

A formal double-blind clinical study is in process in France, with 160 participants. Prof. Luc Montagnier, co-discoverer of the HIV virus, is the scientific advisor and chief virologist for the French study.

The U.S. grassroots clinical trial expects to report formal results in May.

Here are comments by two physicians who treat AIDS patients, and have a number of patients in the U.S. study:

PATRICIA D. SALVATO, M.D.,
Houston physician, volunteer at Montrose Clinic:

"Actually we're seeing good results in terms of decreases in the viral load. A lot of my patients tell me their energy level is better...their memory and concentration and just their overall sense of well-being improves..."

(These excerpts from interviews with Drs. Salvato and Pharo are taken from an article, "Boxwood Herbal Extract Shows Promise as an HIV Antiviral," in the Oct./Nov. 1995 issue of *Uptown Express*, a holistic health magazine published in Houston.)

ARLETTE PHARO, D.O.,
an osteopathic physician in Houston:

"For the first time, I get this real hope that we're finally making the progress that we need to turn this from a terminal illness into a chronic manageable disease. If the SPV-30 proves to be as effective, if not more effective than, let's say 3TC, then we can take away one of the chemicals and replace it with an herb that has no negative side effects."

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China's Wild, Wild West

By Jan Alexander

Can this really be China? I'm at an inn with wood-burning stoves, dirt floors, and no plumbing. The owner is an Uighur man, blue-eyed and bearded, in an embroidered skullcap. The guests are a gaudy mix: Uighurs, Kirghiz traders with gold teeth, their women in flowered head scarves and clashing flowered skirts, Chinese businessmen, and Russian truck drivers. The men and I are sitting around a long table drinking locally made vodka out of small porcelain cups. The stuff tastes worse than rubbing alcohol, but I am assured it is better than any Russian vodka available in these parts. The Russians play drink-up games, and our host picks up the younger of his two daughters—a rosy-cheeked woman in her early 20s—and jokes about selling her to the highest bidder.

Xinjiang is far removed from the wealthy coast—and ethnic tension threatens Beijing's grip on the province

It's China, all right, but this is Xinjiang Province, China's wild west, a vast, dusty outback far from Beijing and China's wealthy coastal provinces. My 1,200-mile journey through the province provides quick, vivid impressions, adding up to a sense of raw energy and vitality seasoned with tension and hints of dan-

ger. As the central government's grip over the Chinese economy eases and as the post-Deng political transition unfolds, maintaining control over far-flung regions such as this could become more problematic.

Like most frontiers, Xinjiang has a sprawling, boomtown atmosphere. The capital, Urumqi, was little more than a village 30 years ago; now it boasts a population of 1.4 million. Since the mid-1980s, the province has had double-digit annual economic growth rates; in Urumqi, construction cranes punctuate the rising skyline, putting up drab concrete industrial buildings, many of them only half-occupied.

Where silk merchants once bartered with Europeans who came by camel caravan along the ancient

**WATCHFUL:
UGHURS MAKE
UP ABOUT
HALF THE
POPULATION
IN XINJIANG**



PHOTOGRAPH BY KIM NEWTON/WOODFIN CAMP

Silk Road, traders from Russia, Pakistan, and the central Asian republics now arrive on buses to buy VCRs, polyester clothes, food, and, yes, even the local vodka. Markets do a colorful trade in cinnamon, coriander, curry, grapes from Turfan, and melons from Hami.

Despite the recent economic growth, people here are deeply conscious of their distance from Beijing and Shanghai and of the widening gap in wealth. Billboards advertise electronic gadgets and modern interiors seldom seen in western China. A young woman shows me a photo of her boyfriend standing outside a brightly lit, impossibly faraway shopping mall and says "Shanghai" as if it were the Emerald City.

Urumqi, with 73% of its population ethnic Chinese, is sophistication itself compared with the rest of the province. Nearly half of Xinjiang's 15 million people are Uighurs, a Turkic Muslim people who run to Western features with blue or green eyes and often have lifestyles that are not far removed from nomadic herders. They are

related by language, religion, and culture to the Uzbeks, Kazakhs, and other Muslims of central Asia. In Kashgar, a desert oasis near the Kirghiz border, shepherds drive their flocks through town, and donkey carts are still a primary mode of transportation.

Outside the Qiniar Hotel in Kashgar, a financial bazaar of



sorts has grown up around a bunch of black-market dealers in currency, lambskin coats, and other goods of dubious provenance. Abdallah, a thin, skullcapped Uighur, says he deals only in dollars, not rubles; he sips from a bowl of tea and fills a round loaf of nan, or flatbread, with a skewer of lamb ke-

babs. He says the Chinese are getting rich, but the Uighurs get no benefits from the growth of foreign business in Xinjiang.

That's what fuels the resentment of Beijing and of its treatment of the province. The central government, for example, has long has used the desert to conduct nuclear tests. The Chinese dominate business and politics here; the clocks run on Beijing time, which means that the winter sun doesn't come up until 9 a.m. Even many of the Chinese expatriates

In the desert oasis of Kashgar, shepherds drive flocks through town, and donkey carts are a primary mode of transportation

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**OLD WAYS:
MUCH OF
XINJIANG
REMAINS
BACKWARD**

punctuated by Muslim rebellions. The latest era of Muslim independence lasted nearly 1,000 years, beginning in the Tang dynasty and stretching into the 19th century. But the Chinese have tightened their grip on the province since the Communist revolution. The Uighurs and other Muslims grudgingly submit, while murky groups with names such as the Committee for Eastern Turkestan harass the Chinese authorities. Uighurs are suspected in the bombing of several buildings in recent years.

At the Kashgar bazaar, under a sky as cloudy as a hangover, Abdallah says the Uighurs are waiting until there is another episode of chaos in the Beijing government when they can hope to declare independence without immediately being crushed by tanks. "But we know we will have to fight," he says. "To live on a frontier, maybe you have to believe that anything is possible."

Alexander is a freelance journalist based in Hong Kong

harbor grudges against Beijing, since they first came involuntarily, "sent down" to this faraway province during the Cultural Revolution.

But the ethnic rivalry is chronic and intense, with the Uighurs feeling like frontier natives abused and corrupted by the interlopers. Some young Uighur women in Urumqi, wearing makeup,

hang out these days at the Holiday Inn disco. "They are, you know, hookers," shudders Flora Bake, 22, an Uighur returning for a visit from her new home in Australia. "These beautiful young girls are going home with Chinese men."

It is an enmity with long roots. The province has a history of bloody conquests by the Chinese, dating to 73 A.D.,

PHOTOGRAPH BY KIM NEWTON/WOODFIN CAMP

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Managing the China Challenge: Less Naivete, More Realpolitik

By Larry Martz

Deng Xiaoping kept brushing us off. He stood there in the Great Hall of the People, a tough fireplug of a man, flicking reporters' questions away with a flip of his hand and a grunt or two that the interpreter would stretch into a sentence.

It was 1979, and we were a dozen or so journalists traveling with Treasury Secretary Michael Blumenthal on his trip to formalize business relations with Beijing. Having been granted an audience with Deng, we stood cramped together, a ludicrous knot of people perched on a little platform in the middle of a large room. Deng was standing just out of arm's reach. He was cheerful and relaxed, absolutely sure of himself.

China's punitive war on Vietnam had just broken out, and we were the only U.S. reporters in the country. What was happening at the front was a military secret, Deng said. The war was China's business, nobody else's. Vietnam had violated Chinese territory, an internal matter. But sir, somebody finally asked, what will this do to China's image in the U.N.? I remember Deng's expression as the question was relayed to him: a grimace of unmistakable contempt. He shrugged; he almost spat. He couldn't care less.

That taught me a central fact about China. It's one Americans should keep in mind as they try to deal with the new great power of the coming century: China doesn't give a damn what outsiders

think of it. For Americans, who want to be liked and admired, that's hard to grasp. Nearly all nations care how they are regarded; even the French, for all their arrogance, need others to acknowledge their brilliance. But China, a 5,000-year-old civilization, *knows* that nobody else really matters.

This is not to say China can't be influenced. It may even be persuaded to behave decently in the world. It's just that China's concerns are almost exclusively pragmatic. If the Chinese do become good world citizens, it will be because they are persuaded it's in their long-term interest.

China's leaders are not going to allow any flowering of democracy or be wooed by Western values. The Chinese will break promises and contracts, pirate software, and sell weapons to brigands without a hint of shame as long as they can get away with it. So our policymakers will benefit from a refresher course in Machiavelli.

Should we try to "contain" China, building a cold-war-style coalition of allies to keep the dragon at bay? No. China is already a

great power in a world that has changed vastly since we set out to contain the Soviet Union in 1947. Any attempt to isolate Beijing would polarize the globe, and the U.S. might well wind up with very few friends at a very cold pole. Washington should continue its policy of engaging China—but must become much more astute in figuring out what China perceives its interests are, and how to change that perception or deal with it if it can't be changed.

Taiwan is only the latest case in point. There's no question that Beijing would go to war to prevent full-fledged Taiwan independence, and Taiwan has been playing with fire in flirting with that notion. But until the recent war-games crisis, Wash-



ington was giving vague and contradictory signals, even appearing at times to favor the independence movement. Thus the comfortable finessing of Taiwan's status, begun in 1972, became a crisis. It was only when the Clinton Administration sent two carrier groups to cruise off the island—and Taiwan's President Lee Teng-hui won a landslide election—that Beijing realized it had miscalculated.

China is not crazy: Mao Tse-tung himself backed away from a war over Taiwan in the 1950s after Dwight Eisenhower took decisive moves to defend it. But the danger remains that the logic of the power struggle to succeed Deng could overrule the reality of the military balance—especially if a signal is misread or a U.S. move threatens loss of face. When the next crisis comes, China could feel forced to take the next step, and the next, right over the edge.

With that in mind, here are some features that any China policy must include:

REALISM Washington must have a clear understanding of what China wants, the price of granting it, and the chances of making denial stick. Then we must choose the issues that are truly important to us and use our leverage pragmatically. It is vital, for instance, to insist that China follow the rule of law in its economic dealings, honoring contracts and international procedures. We have a chance of winning that point, even though international businessmen are so eager for China's market that they seem willing to swallow any indignity. Our chief bargaining chip is that China wants badly to be a member of the World Trade Organization. Similarly, whatever our sympathies for Taiwan, we should keep quiet pressure on President Lee to stop his provocations; and we must work to block China's dealing in nuclear arms. But we have no real leverage to protect human rights in China and should downplay the issue—especially if we don't push it in Saudi Arabia, Indonesia, Turkey, and several other places where we turn a blind eye to abuse.

CLARITY To prevent misunderstandings, our signals to Beijing must be forceful and unambiguous. It is vital to make sure the Chinese understand precisely where we draw lines, so that they will not inadvertently overstep and then refuse to pull back for fear of humiliation. But most of these signals should also be private: It is not in either side's interest to have public slanging matches.

CONSISTENCY Clinton's policy appears to have firmed up—but he has wobbled woefully on

human rights, trade, intellectual property, and Taiwan. Critics complain justly. As *The Wall Street Journal* editorialized in March: "The crusty old men in the Chinese Politburo must have been amazed at how easy it was to push Bill Clinton around, so they decided to keep pushing." In Hong Kong, *Asiaweek* hailed the U.S. show of force on Taiwan but added: "The bad news is that Mr. Clinton's previous backdowns have raised the price of restoring America's credibility."

COHERENCE Washington must keep pressure on its friends, both East and West, to pull together on China policy, persuading them that it is in everyone's interest to make the dragon play by the rules. If other countries yield to the temptation to let Uncle Sam take the heat while they continue to milk China's markets, we must use every lever we have to force them back on board. By the same token, Congress must relearn the wisdom that politics stops at the water's edge. Strident China-bashing or Taiwan-stroking may play well at the polls, but it damages American interests. It was nearly disastrous last fall when House Speaker Newt Gingrich called publicly for an independent Taiwan. Fortunately, he understood the mischief he was making and retracted.

SUBTLETY It isn't an American trait, but perhaps we can learn. We will have to study Chinese history, learn to speak Chinese, understand Chinese politics, send students and journalists to China in greater numbers, and learn to see and know the Chinese as they are—not as we hope they might be. We must not expect them to like us or admire us or adopt our values and lifestyle. We must agree to differ, be tough where we have to, cooperate where we can, find common ground where it exists, and get along.

PATIENCE We are in a very long game. For most of its existence, China has been the only civilization that mattered, and its recent eclipse has been a mere blip of 300 years or so. Americans must begin to look beyond this year's profit statements and the election of 1996, and even past the next decade. One day soon, the generation now in its 40s will come to power in China—men and women who have traveled the world, seen beyond the Middle Kingdom, and have a better sense of how the rest of the world thinks.

With luck, they might even care.

Martz, a member of the OPC's Board of Governors, is editor of *World Press Review*.

*Will
the Chinese become
responsible world players?
They may indeed—but only if
they perceive it's in their interest
to do so. America should
stop expecting China to
accept Western
values*

Why China and the U.S. Must Rise Above Confrontation

By Ming Cui

Thousands of years ago, Chinese philosophers believed the world was composed of two opposite forces—yin and yang. At first, people believed yang dominated the world and yin was a negative force. Yang was white, yin black. Yang was the sun, yin the moon. Yang was man, yin woman. But as China's dynasties

rose and fell, philosophers gradually began to realize that the two forces were not really that contrary. In fact, they were complementary. This was called seeing reality with the third eye.

Today, we should consider this ancient wisdom. Beginning in the late 1970s, China enjoyed tremendous progress on both the economic and social fronts. U.S.-China relations went through a "sweet decade." American presidents paid several visits to China, and Chinese leaders made their way to Washington. Although there were arguments regarding human rights, Tibet, or Taiwan, senior leaders of both nations were always able to find a compromise.

U.S.-CHINA TIES Unfortunately, relations have reverted to the Stone Age. The Taiwan issue is the most pressing. It has been clearly stated since Richard Nixon's first visit in 1972 that China will not tolerate any policy that pushes for two Chinas or an independent Taiwan. Until lately, politicians on both sides of the Taiwan Strait agreed upon this. Although there was disagreement over who should represent China on the in-

ternational stage, both sides firmly understood that if they pushed Taiwan out of China, they would be considered traitors to the Chinese people.

But this changed when Lee Teng-hui became head of the Nationalist Party. The U.S.-educated Lee has a strong Taiwanese ancestry, and he gradually revised his one-nation opinion, promoting the issue of Taiwan independence on many fronts. His actions have created a great controversy within the 90-year-old Nationalist Party. Even the party's old guard is against this change of view and has declared its opposition.

Lee's turnabout has not only caused great tension between Taiwan and mainland China, it has led to confusion over China policy in Washington. The government of Taiwan has been wisely playing the Washington card to ensure support for an independent nation.

What's striking are the dramatically different perceptions on opposite sides of the Pacific Ocean. When the Chinese army was conducting its maneuvers in the Taiwan Strait, my friends in Beijing received E-mail messages from around the world asking about an imminent war. But in Beijing no one could feel the tension. The reason was that all the Chinese government was trying to do was to ensure that the status quo defined in 1972 remained intact. As long as the U.S. accepts that, there is no need for a cold war. No one would benefit from that, not the Americans, not the Chinese, and not the vast majority of Taiwanese.

HUMAN RIGHTS Another major irritant in Sino-U.S. relations, this situation has steadily improved. On this issue, I have witnessed dramatic change. When I was a young boy during the Cultural Revolution, no one dared to utter a word of criticism against either the Communist Party or its leaders. Over the past 15 years, I have noticed



that ordinary people are no longer afraid to criticize the government or complain about certain policies. One can best understand this by riding in a Beijing taxi. These drivers, known as China's greatest critics, have an opinion on just about anything these days.

Of course, in this sensitive transition period, Chinese leaders like to brandish their iron fist from time to time to show they are still in firm control of the country. Some leaders have been criticized for being too soft, and one method of laying down the law is imprisoning supposed dissidents such as Wei Jingsheng, who was sentenced last year to a second long prison term. The majority of Chinese people see this action as similar to beating a dead tiger. Once the transition from the Deng generation to a new leadership has been completed, there should be less need for such dramatic actions, and human rights will finally become a nonissue.

COPYRIGHTS The copyright dispute also is easing. I have spent time touring cities across China in the past few years. Even one year ago, I could buy counterfeit CDs or computer software in a small town or city as easily as picking up a Chinese magazine or newspaper. This spring, I visited half a dozen cities and only found such products in one remote town in southern China. I was able to buy the hits of Kenny G, Michael Bolton, the Carpenters, Whitney Houston, and others for about \$2 a CD. Still, there is clear evidence that the government is cracking down on intellectual-property ripoffs. There's not that big a difference between the remaining Chinese peddlers and the proud New York street vendors hawking the latest counterfeit Ralph Lauren or Calvin Klein shirts.

TRADE It is China's huge trade surplus that could be the biggest long-term problem between China and the U.S. The Chinese government is beginning to realize the importance of reducing the surplus and moving into a free-trade climate. But this trade surplus is a structural problem that won't go away quickly. The Chinese just cannot afford to directly import huge quantities of U.S. goods.

But that doesn't mean American companies are not making money. For instance, Motorola produces goods in China and dominates the market, but is that considered part of the American trade imbalance? Or what about the phenomenal success of McDonald's and Coca-Cola in the

Chinese market? None of these sales are counted as American exports, but clearly the profits are flowing to American shareholders—and the global competitiveness of these companies is growing. To understand the mutual benefits from our economic engagement, we can't afford to concentrate only on trade numbers.

MILITARY No one doubts that China will become a major economic force in the next century and that America has a role to play in this emergence. The question is: Where will China go with its newfound military clout? People must understand that China has rarely been aggressive toward foreigners in its history. China never crossed any ocean to invade another country. Today, Chinese leaders are too busy trying to increase the standard of living of more than 1.2 billion people.

China is not concerned with dethroning the American empire in the next 50 to 100 years.

Even the famous tactician Sun Tzu stated that a country should always make friends with nations that are too far beyond its boundaries to worry about. China has too much to do on the home front over the next century to worry about that larger question of dethroning America.

Instead, many Chinese are worried about America trying to depress their economic development. People feel that America would rather see an unsettled China instead of a strong emerging power. Furthermore, they believe the reason the U.S. is tempted to support Taiwanese independence is that military interest groups want to create tension so that they can win bigger budgets from the U.S. government.

Mutual mistrust and paranoia should not be allowed to take hold. Traditionally, the Chinese have more affinity toward the American people than any other foreign power. As far back as the days of author Edgar Snow and the visits from American generals in the hills of Yanan in the 1930s, the Chinese people looked for support from America. The Chinese still believe there is a greater benefit to being friends with the U.S. than being enemies. If we can see with the third eye as did the philosophers of old, and if we can maintain a serious dialogue, China and the U.S. can both prosper and grow in the 21st century.

Ming Cui is co-publisher and China editor for Capital Markets & Investor Relations Review. A former professor, he left China in 1984 but visits frequently.

U.S.
political leaders
should understand that
China isn't concerned about
dethroning the American
empire in the next 50 to 100
years—it has too much to
do on the home
front



**COSTA RICA:
AP PHOTOGRAPHER
KENT GILBERT
(CENTER) IS INJURED
BY TEAR GAS**

The Heavy Price of Press Freedom

By Norman A. Schorr, Dinah Lee, and Larry Martz

On Oct. 2, 1993, two days before Chinese journalist Gao Yu was scheduled to leave Beijing for a year's fellowship at Columbia University's Graduate School of Journalism, she was arrested. The charge was leaking "state secrets" in articles she had written for a Hong Kong magazine about the struggle among China's top leaders to succeed Deng Xiaoping. The then 49-year-old Gao was sentenced to six years in prison.

The next year, the International Federation of Newspaper Publishers honored her with the Golden Pen of Freedom award, calling Gao "a symbol of the struggle for democracy, human rights, and press freedom in China." Twice in 1994, the Overseas Press Club called on the Chinese government to release Gao and urged President Clinton to press for her release, which he has not done, at least publicly. Meanwhile, a Beijing court rejected her legal appeal.

Gao was among the 182 journalists imprisoned in 22 countries at the end of 1995. She was one of 20 in China,

which ranked third-highest among the countries holding news people in prison. In a list prepared by the Committee to Protect Journalists, Turkey led with 51 imprisoned, Ethiopia was next with 31, and Kuwait was fourth with 18. Kuwait is still holding journalists who were accused in 1990 of collaboration by working on an Iraqi newspaper during Iraq's occupation of Kuwait.

Not surprisingly, 140 of the imprisoned journalists throughout the world are in countries where the press is "not free,"

*Journalists around
the globe continue to
endure censorship,
imprisonment,
pressure tactics—
and murder*

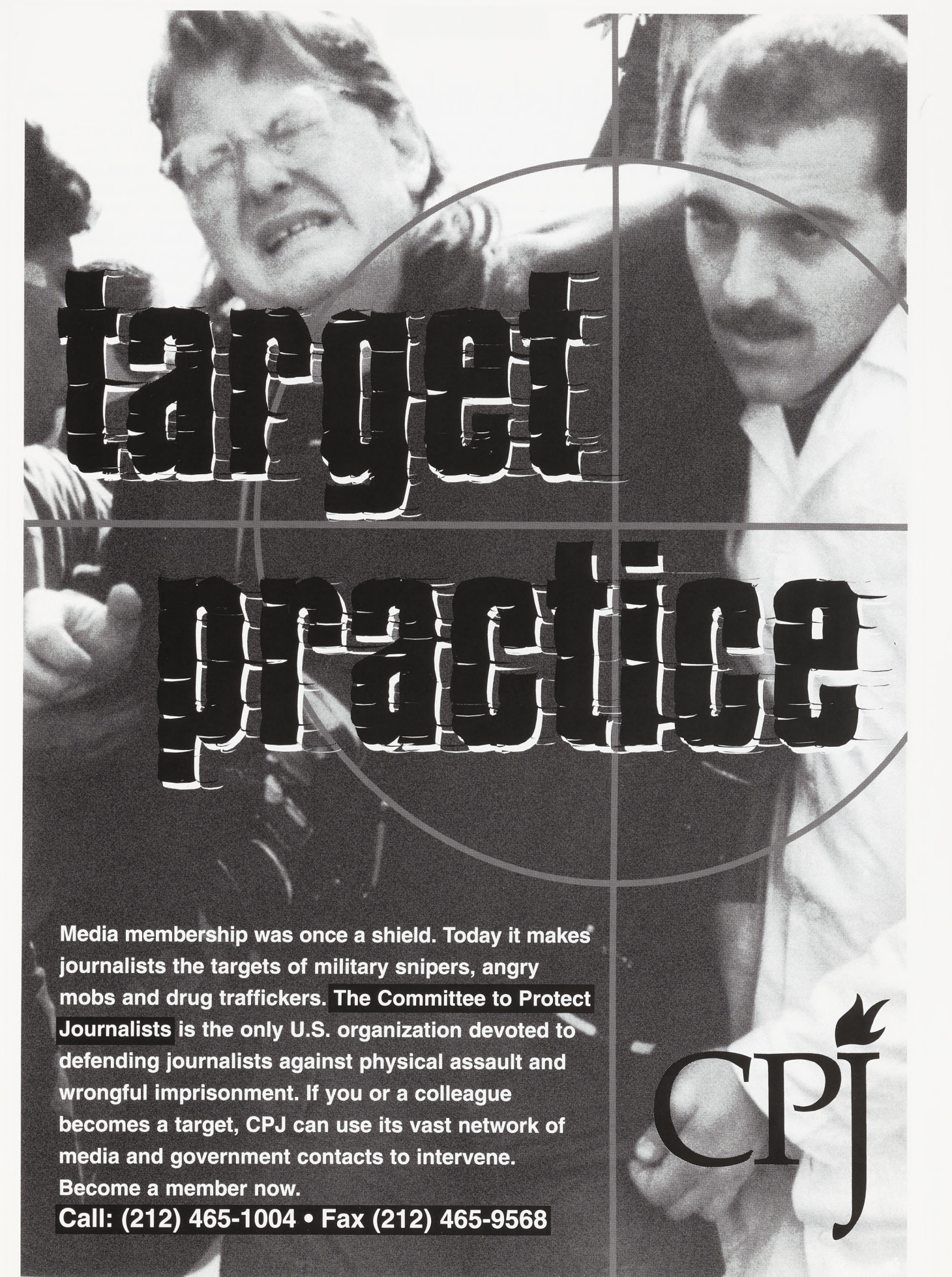
according to Freedom House, which monitors and reports on democracy and human rights around the world. These are countries where governments control the content of news systems and often own the news organizations. All the other imprisoned journalists are being held in countries where the press is only "partly free."

So even though some formerly controlled societies such as Hungary, Lithuania, and Russia have allowed a blossoming of press freedom, the broader trend is that too

many journalists are paying a heavy price for daring to write or broadcast about government corruption, drug trafficking, terrorism, or other sensitive subjects. Our Freedom of Press Committee protested more than 50 cases of abuse during 1995 (page 75). During this period, at least 51 journalists were targeted and killed, six in combat zones. Algeria was the most dangerous place to work, with 24 news people murdered.

Ten out of the 51 killings occurred in the Americas. Attacks on journalists and arrests on trumped-up charges "all contribute to a hemispheric chill that impedes freedom of expression," the Inter American Press Assn. reported. Too many countries in the western hemisphere enact laws that allow the judiciary to restrict the media and that bar press access to public documents. Such measures in Chile, Bolivia, Brazil, Paraguay and elsewhere have two overriding objectives: to outlaw reports on corruption and to undermine editors' authority to determine the content of newspapers or television programs.

Trouble is brewing for press freedom in other major arenas, too. Just as the U.N. Educational, Scientific & Cultural Organization (UNESCO) tried 20 years ago to push for a New World Information & Communications Order severely restricting the press, another U.N. body is today at the center of a similar controversy. In a formal report, Abid Hussain of India, the special rapporteur for the U.N. Human Rights Commission's com-



target practice

Media membership was once a shield. Today it makes journalists the targets of military snipers, angry mobs and drug traffickers. **The Committee to Protect Journalists** is the only U.S. organization devoted to defending journalists against physical assault and wrongful imprisonment. If you or a colleague becomes a target, CPJ can use its vast network of media and government contacts to intervene. Become a member now.

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mittee on press freedom, sanctioned governments' imposition of "permissible restrictions" on press freedom. This document has been used by the Council of Europe and a number of countries as a model for creating so-called press laws.

As formulated by Hussain, "any permissible limitation to the right of freedom of expression must not only be provided by law, it must also be necessary to attain one of the following purposes: to

censors eliminate critical articles. Azerbaijan jailed four journalists for insulting the dignity of the country's President. Georgia shut down the paramount TV station in Rustavi, Georgia's second-largest city, because President Eduard Shevardnadze disapproved of its news content. Fortunately, protests by some international groups, including the Internews Network and the OPC, succeeded in getting the station back on the air.

State Television, Oleg Poptsev, for unflattering reports about Yeltsin.

Although China has followed a very different path from the former Soviet Union, it remains a major disappointment. Recently, the world saw yet again how China applies its own rules of behavior to the international press. In January, the government announced that Xinhua, the country's national news agency, which, incidentally, has 10,000 correspondents, would supervise foreign financial-news services. Dow Jones, the Associated Press, and Reuters all protested, warning that such supervision would hinder press freedom and would put China's growing business community at a disadvantage.

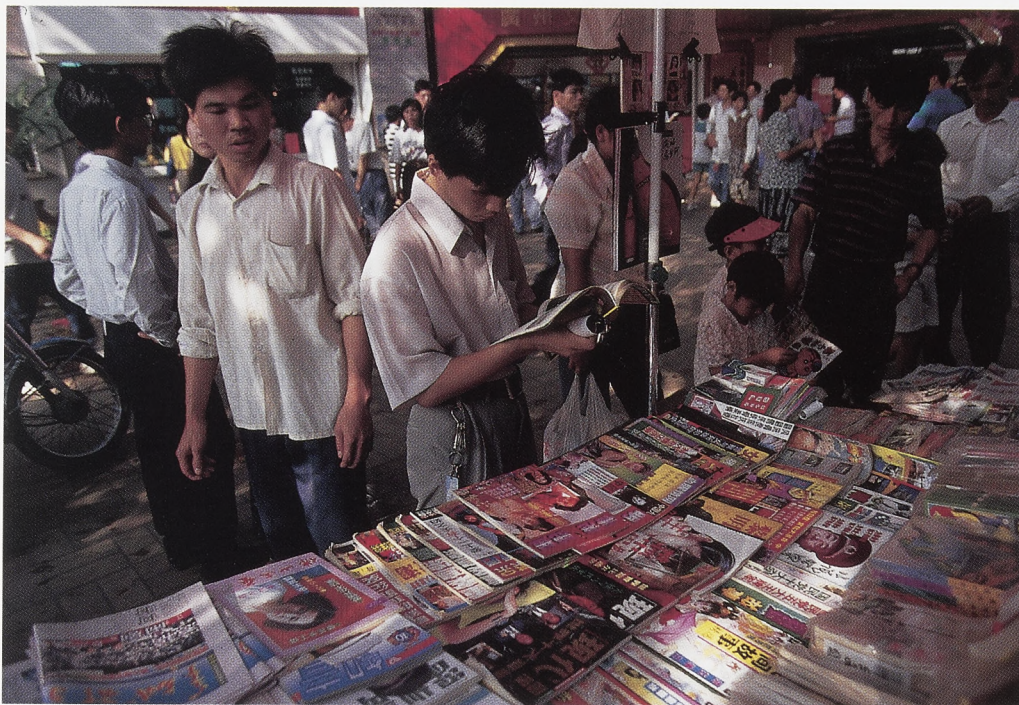
The new regulations mandate "that all new economic news services must be approved by Xinhua, which is authorized to decide what kinds of economic information each news service is allowed to disseminate in China." The OPC warned that controlling foreign news services "would cause a loss of world confidence in China as an economic partner." Responding to the OPC protest, a spokesman at China's embassy in Washington insisted that the action "is a normal one for a sovereign state to exercise."

He continued: "Of course, if contents which slander China and jeopardize China's national interests are found, Xinhua, with departments concerned, will deal with it."

That tone also is seeping into the British colony of Hong Kong, which reverts to Chinese sovereignty next July 1. Daisy Li Yuet-wah, vice-chairman of the Hong Kong Journalists Assn., warns that Hong Kong journalists are in a "much more precarious position" than ever before. She says China is succeeding in prompting self-censorship, making press freedom in Hong Kong "an endangered species."

U.S. journalists often take the protection and freedom that the First Amendment affords them for granted. Others around the world can't afford that luxury. It is time for us to redouble our efforts to respond to their needs and to their voices.

The authors are co-chairs of the OPC Freedom of the Press Committee



NEWSTAND IN CHINA: SOME FREEDOMS—BUT A LONG WAY TO GO

...public morals."

This document empowers a head of state to punish a journalist who criticizes an official or his policies. Indonesia apparently used that as a rationale in sentencing journalists Ahmad Taufik and Eko Maryadi to 32 months in prison in September, 1995. The government charged that the writers for the unlicensed magazine *Independen* had prompted "feelings of hostility, hatred, or contempt toward the government."

Another disheartening trend is the rolling back of press liberties in societies that were just beginning to taste freedom. While news about the burgeoning independent press in Central Europe and the former Soviet republics has been sweet music, former Communist rulers are attempting to reconsolidate power and reimpose heavy-handed control of print and broadcast media. Uzbekistan

respect the rights or reputations of others, to protect national security... public order... public health

Tajikistan has become a killing field for journalists, with 28 murdered during the past four years. Mohyedin Alem-pour, the chief of the BBC's Persian Service bureau in Tajikistan, for example, was found with a bullet wound to his head in December, 1995. Belarus papers regularly appear in the kiosks with blank spaces on certain pages, clearly censors' footprints. Albania stopped the presses of a humor magazine that planned to publish a caricature of the country's President.

Within Russia, news people are beginning to cover events as they happen. Coverage of the war in Chechnya exposed the yearnings of some courageous Russian reporters to be free. Russia's largest independent TV network covered the Chechen conflict with a dogged commitment to the truth.

Sadly, many other news people in Russia are being silenced with bullets, loss of licenses to broadcast, and lack of newsprint to continue publication. In one case, President Boris Yeltsin summarily cashiered his chief of Russian

Trouble Spots: Dateline's List of OPC Protests

Algeria

- **HAMID MAHIOUT**, reporter for French-language daily *Liberté*, and his driver are both decapitated.
- **KHADIDJA DAHMANI**, reporter for weekly *Echourouk al-Arabi*, is the second woman from the publication killed.
- **SAIDA DJEBAILI**, reporter for *El-Hayat el-Arabia*, is shot and killed while driving from work.
- **NAIMA HAMOUDA**, cultural reporter for weekly *Revolution Africaine*, is murdered.
- Journalists **DJAMALDEDDINE FABASSI** and **SAGHIR BOUHADIDA** are detained by security forces. Whereabouts unknown.
- **MALIKA SABOUR**, cultural reporter for *Echourouk al-Arabi*, is murdered.
- Mourad Hmaizi, a reporter for state TV, is killed.
- **AZZEDINE SAIDJ**, editor-in-chief of now defunct weekly *El Ouma*, is found with his throat slit.

- **BAKHTI BENAOUA**, contributor to government quarterly *El Djoumhouria*, is assassinated.

Argentina

- Legislation is proposed to enlarge basis for charges of libel and slander, to raise fines and prison terms, and to require newspapers to buy libel insurance.
- **GUILLERMO CHERASHANY**, political reporter for radio and newspaper, is shot for his investigation of governmental corruption.

Azerbaijan

- Three writers of satirical articles are arrested and charged with "insulting the honor and dignity of the President."

Bosnia

- **DAVID ROHDE**, *Christian Science Monitor* correspondent, is jailed by Bosnian Serbs and accused of spying.

Cameroon

- Government imposes mandatory pre-publication censorship of all print media; suspends and seizes newspapers.

Croatia

- **GORAN FLAUNDER**, editor of *Burmerang*, is beaten while photographing the Croatian Democratic Union.

Cuba

- Six journalists are detained and warned that if their involvement with independent journalism does not cease, they will be imprisoned for four years.

Egypt

- **GAMAL BADWAI**, editor-in-chief of *Al-Wafd*, is assaulted.

Georgia

- **RUSTAVI-2**, a TV station, is shut down, then returned to air after protests.

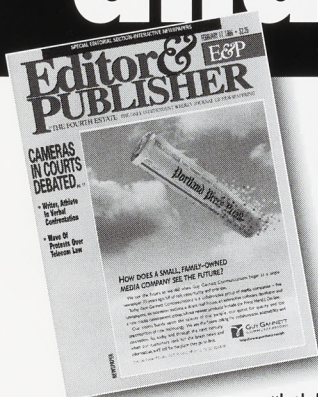
Guatemala

- **DANIEL ROBERT (SKY) CALLAHAN** is kidnapped and beaten for research on corruption and human-rights violations.

Indonesia

- Four men linked to the alternative press

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are charged with violating the criminal code.

- Prison sentences of Ahmad Taufik and Eko Maryadi, journalists working for the newspaper *Independen*, are extended, while an office aide is jailed for distributing the paper.

Jordan

- **SALAMEH NE'MAT**, correspondent for Arab-language *Al-Hayat* newspaper published in London, arrested.

Lebanon

- **ABI SAAB**, editor of *Abaad*, is arrested.

Mexico

- Radio Huayacocotla is shut down for transmitting "coded messages" promoting violence against indigenous communities.

Nigeria

- Homes of two leading editors for *Tell* newsmagazine are raided, and Editor-in-Chief **NOSA IGIEBIR** is detained.
- Four journalists face criminal charges.
- **BAYO ONANUGA**, editor-in-chief of *The News* newspaper, and staff are arrested for articles critical of the government.

Palestinian Authority

- Five journalists associated with the *Istiqlal* newspaper are arrested.

Paraguay

- Correspondents for Asuncion daily *ABC Color* and for Canal 9TN television received death threats for their investigative reports on a Brazilian drug cartel.

Russia

- Journalist awaits trial on charges of drug trafficking while researching and reporting on Russia's drug world.
- Government initiates lawsuit against television company NTV for political satire featuring life-size puppets of high state officials.

Singapore

- Singaporean court orders *International Herald Tribune* to pay libel damages of \$678,000 to three governmental leaders.

Turkey

- **ALIZA MARCU**, Reuters correspondent, is charged with inciting "racial hatred."

- **NEZIH TAVAS**, editor of *Strategy News Bulletin*, is charged with "revealing state secrets."

- **IBRAHIM HALIL ISLIK** is arrested, interrogated, and beaten after refusing to collaborate with police.

Venezuela

- Two editors of *El Diario de Caracas* are detained and questioned by the Directorate of Military Intelligence.

Yemen

- The newspaper *Al-Shoura* is ordered closed, and a bomb threat is made on editor's home.

Zambia

- For his coverage of government corruption, **FRED M'MEMEBE**, editor-in-chief of *The Post*, faces prison terms of more than 100 years on charges of treason, violating state security, criminal libel, and defaming the President.

Zimbabwe

- Three journalists are arrested and charged with criminal defamation.

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